



Worcester

CITY COUNCIL

Building a successful future on 2,000 years of history

STATEMENT OF ACCOUNTS

2019/20



**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2019/20**

CONTENTS

	Page
WELCOME TO THE STATEMENT OF ACCOUNTS	1
STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS	3
NARRATIVE REPORT	4
ANNUAL GOVERNANCE STATEMENT	17
STATEMENT OF ACCOUNTING POLICIES	18

CORE STATEMENTS

MOVEMENT IN RESERVES STATEMENT	30
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)	32
BALANCE SHEET	34
CASH FLOW STATEMENT	35

NOTES TO THE CORE STATEMENTS

NOTES TO THE CIES	36
NOTES TO THE MOVEMENT IN RESERVES	48
NOTES TO THE BALANCE SHEET	53
NOTES TO THE CASHFLOW	86
OTHER NOTES	89

SUPPLEMENTARY ACCOUNTS

COLLECTION FUND AND EXPLANATORY NOTES	100
ACCOUNTING DEFINITIONS	107
AUDIT AND GOVERNANCE COMMITTEE APPROVAL	108
EXTERNAL AUDIT OPINION	109

WORCESTER CITY COUNCIL

WELCOME TO THE STATEMENTS OF ACCOUNTS

The 2019/20 financial year proved a challenging, but successful year with a lot of change. The Covid-19 pandemic had an affect on the Council's finances only at the very end of the year and therefore the full impact of this is not reflected in these statement of accounts. However, the Council is expecting significant challenges in the year ahead as it deals with the on-going effects of the pandemic.

2019/20 was the first year that the Council received no Revenue Support Grant direct from Government, which is a decrease in funding of £1.2m since 2016. To meet this financial challenge, the Council has achieved further efficiency savings of £550k in 2019/20, representing 2% of the annual budget.

Council Tax for a Band D property was set at £185.88, which was a 2.99% increase over the previous year, in line with the Government's expectations. Collection of the amount billed for Council Tax was 97.9% (2018/19 98.1%), while Business Rates collection was 97.9% (2018/19 98.7%). Collection rates may have been affected by the impact of Covid-19 towards the end of the year.

During 2019/20 our headline achievements include:

- Commenced the £3m refurbishment of The Arches Worcester– this is a Worcester partnership project, renovating the city's Victorian railway arches to create a new key gateway for the city alongside a programme of innovative festivals;
- Implemented a significant project to bring the previously outsourced Customer Services function back in-house, reducing costs by £100,000 p.a.;
- Secured £215,000 in Lawn Tennis Association funding to deliver a major new Tennis In The Park initiative to boost public health;
- Provided grants and practical support to help city residents and businesses through one of Worcester's most prolonged flooding incidents in February 2020;
- Launched Housing First and Somewhere Safe To Stay services to help rough sleepers come off the streets and move into permanent accommodation;
- Delivered two of three planned affordable housing developments for the city; completion of the third has been delayed by the pandemic;
- Launched the Worcester Community Lottery to support the city's charities and other good causes;
- Secured the prestigious green flag award for all four of the city's premiere parks;
- Attracted a record-breaking 20,000 visitors to Worcester Art Gallery & Museum's 'May The Toys Be With You' exhibition;
- Completed a major upgrade of the Council's 14 car parks to introduce new convenient payment options;
- Invested £400,000 in the creation of The Kiln, a shared workspace for start-ups, freelancers and small businesses in the city's old police station.

WORCESTER CITY COUNCIL NARRATIVE REPORT

COVID-19 Pandemic

In terms of business operations, the Council has maintained its key services such as domestic refuse collection and street cleaning services and added considerable resources to ensure that rough sleepers are kept safe during this period.

These additional costs have not had a significant impact on the financial out-turn for 2019/20 as the pandemic only started to have a notable impact on public behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The values in these accounts attributed to property assets and investments held as part of the pension fund were arrived at shortly before the lockdown was imposed. These values therefore reflect the cashflows related to these assets at that date.

The impact of Covid-19 is not quantifiable at this stage with any certainty, but the financial pressure on the Council will be substantial. Although taking into account the Government's emergency Covid-19 funding for local authorities, we are reviewing our 2020/21 budget and savings plans in order to mitigate the immediate impact of the pandemic on finances and services.

Moving forward, the Council will reset its Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 disruption has meant that the Council has had to put its business continuity plans into operation to ensure that critical services continue to be operational during the lockdown period. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review its delivery models to ensure that the outcomes set out in the City Plan can continue to be delivered.

WORCESTER CITY COUNCIL

STATEMENT OF RESPONSIBILITIES

The City Council's responsibilities

The City Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director, Finance and Resources. He is the Council's Section 151 Officer
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"). The S151 Officer is required to present the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2020, I have:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code.

I have also:

- kept proper accounting records which were up to date
- taken reasonable steps to prevent and detect fraud and other irregularities.

These accounts give a true and fair view of the financial position of Worcester City Council at the reporting date and of its expenditure and income for the year ended 31 March 2020.



Shane Flynn
Corporate Director Finance and Resources

20 November 2020

WORCESTER CITY COUNCIL

NARRATIVE REPORT

1. Introduction

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2020. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The Statement of Accounts includes a narrative that provides an analysis of the development and performance of the authority in the financial year and its position at the end of the year. It also provides information regarding economy, efficiency and effectiveness in its use of resources over the financial year.

2. An Introduction to Worcester City

Worcester City is the county town of Worcestershire and covers an area of c.33 square kilometres (c.13 square miles) of South Worcestershire. It is situated in the West Midlands, approximately 17 miles southwest of Birmingham and 23 miles north of Gloucester.

The River Severn and the Worcester and Birmingham Canal run through the centre of Worcester, providing recreational and sporting opportunities for residents and visitors. Although predominantly urban, the City is surrounded by open countryside and boasts many attractive parks and open spaces.

The city's history spans more than 2,000 years. It is studded with monuments to its rich heritage, including the 12th Century Cathedral, the Guildhall, the 800-year-old Commandery and the site of the final battle of the Civil War – all of them popular tourist attractions.

Education is thriving in the city, which is home to the University of Worcester, Heart of Worcestershire College and Worcester Sixth Form College.

The city enjoys a varied retail and leisure offer with major high street brands, unique boutiques and independent shops all trading in the city centre. The city has a growing night-time economy centred on the £20m Cathedral Square development. The city also has a strong sporting reputation, hosting top class sporting venues including Worcestershire County Cricket Club's New Road ground, Worcester Warriors Rugby Club's Sixways Stadium and the 300-year-old Worcester Racecourse.

Worcester has a population of 101,222 people and the City's age profile is generally younger than for England and the rest of the surrounding county. 32.5% of the population are aged under-25 compared to 28.1% in Worcestershire, and 29.8% in England. The working age population (16-64) makes up 64.3% of the total population compared to 59.3% in Worcestershire and 62.4% in England.

Source: ONS mid-year population estimates 2019

The average house price in Worcester in March 2020 was £212,243 compared to the county average of £247,178 and £248,271 in England. Source: Land Registry

The unemployment rate in Worcester is 3.7%, which is lower than the West Midlands (4.8%) and Great Britain (3.9%).

Source: NOMIS/ONS annual population survey (Jan 2019-Dec 2019)

WORCESTER CITY COUNCIL NARRATIVE REPORT

4. The City Council

Political Structure

Residents are represented by 35 councillors from 15 wards in the city. Each one is elected for a term of four years, with annual elections held in one third of wards in three of every four years. The Council currently has no overall control. Under the Council's constitution the group with the largest number of seats holds the leadership of the authority. The leader of the Conservative group is currently Leader of the Council, while the post of Deputy Leader is held by the Leader of the Labour group.

Political Party	Number of Seats
	March 2020
Conservative	16
Labour	15
Green	3
Liberal Democrat	1

Elections due to be held in May 2020 were postponed until May 2021 due to the Covid-19 pandemic.

Constitution

The Council is governed by a Constitution which is based on the committee model. This comprises Policy Committees and Regulatory Committees.

The Policy Committees are responsible for implementing the budget and policy framework as agreed by full Council; their decisions must be in line with the Council's overall policies and budget. All members of the Council are entitled to a seat on one of the Policy committees, which are the part of the Council with responsibility for most day-to-day decisions.

The Regulatory Committees are responsible for specific functions of the Council, for example planning and licensing.

Chief Officer Structure

Councillors are supported by the Corporate Leadership Team (CLT), which is headed by the Council's Managing Director, David Blake. CLT is responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Managing Director, CLT is made up of five members, including the three Corporate Directors and the Deputy Director - Governance, who is also the Council's Chief Monitoring Officer.

WORCESTER CITY COUNCIL NARRATIVE REPORT

4. The City Council

Services

The Council provides a wide range of services to residents through direct provision, joint working, strategic partnership and via third parties as shown below.



Customer Services was brought back in-house with effect from 1st April 2020.

The Council has approximately 330 employees to manage and deliver services, making it one of the largest employers in the city.

Employee absence for the City Council was an average of 11.5 days per employee in 2019/20 compared with 9.9 days in 2018/19, but was affected by the Covid-19 outbreak at the end of the financial year.

Staff turnover for voluntary leavers for the City Council was 9.4% a small increase from 8.8% in 2018/19.

WORCESTER CITY COUNCIL NARRATIVE REPORT

5. Financial Performance

The financial context for the Council is demonstrated by the following key statistics.

Worcester City Council manages cashflows and assets in excess of £270m by:

- collecting over £97m of Business Rates and Council Tax. 87% of this is passed onto central government and other agencies, with the Council retaining £12.6m for service delivery in 2019/20.
- administering over £24m of Housing Benefit claims
- managing over £107m of land, buildings and other assets. This includes the Grade 1 listed Commandery and The Guildhall as well as the Perdiswell swimming pool and leisure centre that opened in 2017.
- spending a total of approximately £28m each year on Council services.
- accounting for £19m p.a. of fees, charges, rents, grant funding and capital receipts, which are used to help deliver services and keep council tax down.

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether.

This is one of the key financial challenges the Council faces in the coming years, a selection of which are shown below:

- Changes to business rates retention regulations means that Worcester City Council will be further exposed to the level of appeals
- The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values.
- The financial impact of the Covid-19 pandemic

To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future. In tackling these challenges, the Council will balance sound financial stewardship with innovative approaches to service delivery, generating new sources of income and cost-effective support functions. To support this the Council approved a Commercial strategy in February 2018 and an Income Generation strategy in October 2018.

The Council's Medium Term Financial Plan 2020-2025 was approved in February 2020 and can be viewed on the 'City Council Finances' page of www.Worcester.gov.uk. Against the continuing financial challenges faced by the Council, this shows a balanced budget for 2020/21 and a budget deficit for the subsequent years to 2024/25. The Council is currently reviewing options for addressing this deficit.

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

5. Financial Performance 2019/20

The Council's Statement of Accounts for the year are set out on the following pages. The core statements comprise the following:

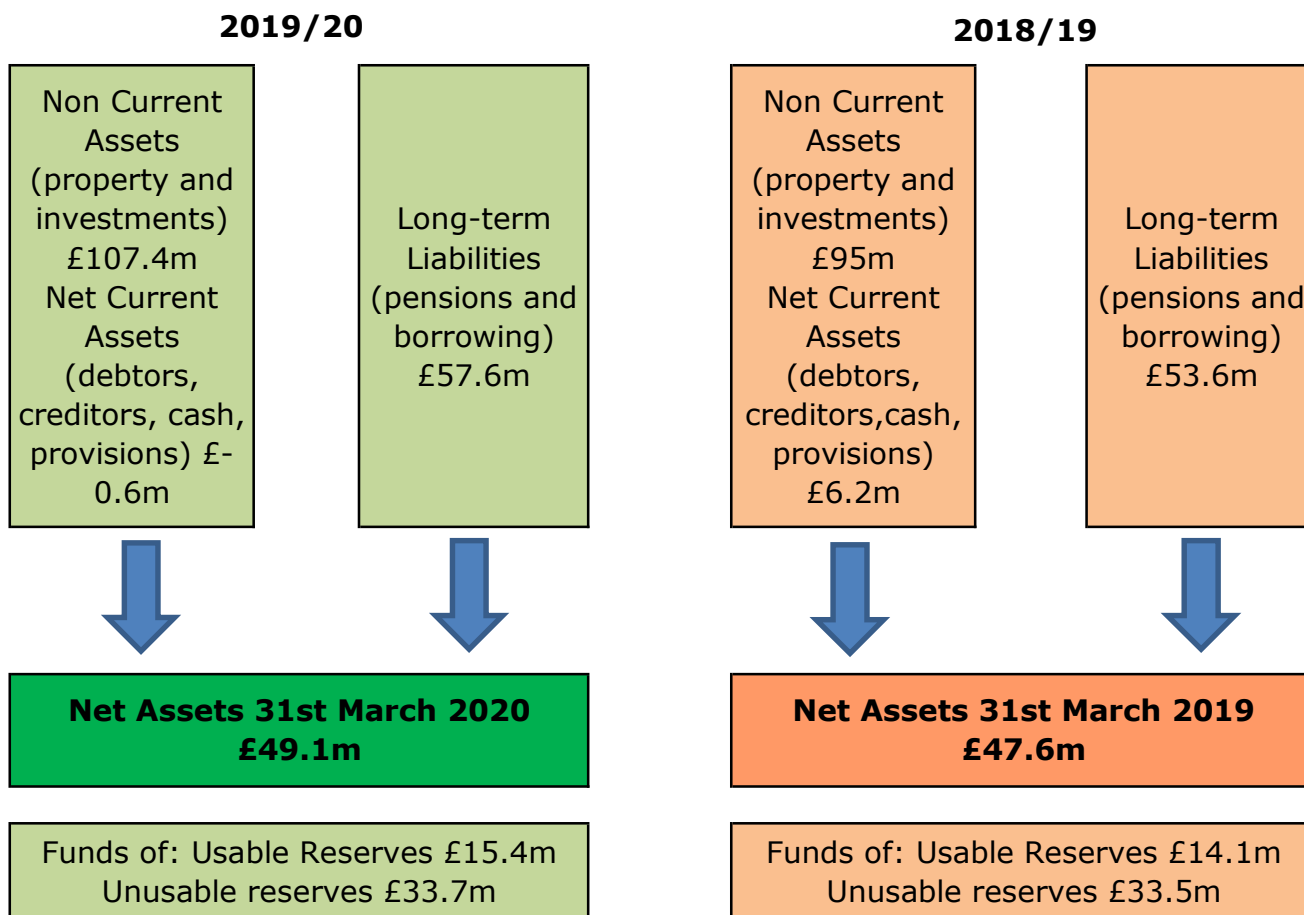
Comprehensive Income & Expenditure Statement	Movement in Reserves Statement
<p>A deficit of £3.7m on provision of services for 2019/20</p> <p>This records all of the Council's income and expenditure for the year. Expenditure is a combination of the cost of services that the Council is required to carry out by law (statutory duties) and discretionary expenditure focused on local needs. Income is a combination of the Council's Fees and Charges and other Income.</p>	<p>An overall increase of £1.3m in Useable Reserves.</p> <p>This is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'useable' which can be invested in capital projects or service improvements and 'unusable' reserves which are technical accounting adjustments.</p>
Cashflow Statement	Balance Sheet
<p>A net cash outflow of £0.2m in cash or cash equivalents</p> <p>This shows the reasons for the changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.</p>	<p>An increase in net assets of £1.5m as at 31 March 2020</p> <p>This shows the value of the Council's assets and liabilities at 31 March 2020.</p>

The major factors in the increase in net assets of £1.5m are the increase in the value of land and buildings of £2.9m and the reduction in the Business Rates appeals provision of £2.6m offset by the increase in the pension liability of £4.1m.

WORCESTER CITY COUNCIL NARRATIVE REPORT

5. Financial Performance 2019/20 cont'd

The council holds a strong financial balance sheet with net assets of £49m.



5. Budget Performance - Net Revenue and Capital Budgets

The 2019/20 budget was approved by Full Council in February 2019. This was a balanced budget achieved after a further reduction in funding mainly due to a reduced Revenue Support Grant. It included combined cost savings and income increases of £0.7m as part of a programme of budget reduction. This is in addition to the £1.8m achieved from this programme in the previous four years. There was a 2.99% increase in Council Tax. The capital programme was approved with a budget of £5.5m. This included the provision of affordable housing, the demolition of the Sansome Walk site and the development of Cripplegate and Gheluvelt Park Tennis Courts.

For 2019/20 the Council has delivered a balanced budget position.

At a headline level, the main budget variances are comprised as follows:

- £0.09m overspend on operating expenditure against a budget of £25.8m;
- £0.26m shortfall on income against a budget of £15.8m;
- £0.28m surplus on net interest payments and Minimum Revenue Provision;
- £0.39m deficit on Housing Benefit Subsidy.

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

6. Budget Performance - Net Revenue Budget (cont'd.)

The budget deficit on operating budgets is £0.076m and the following table details the net revenue expenditure by service. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement by the exclusion of costs relating to depreciation, revenue funded from capital under statute and certain pension adjustments.

	2019/20		
	Budget	Actual	Variance
	£'000	£'000	£'000
Governance Services	1,129	1,127	(3)
People Services	435	461	25
Internal Audit Shared Service	49	49	0
Policy & Strategy	1,784	1,842	58
Finance Service	1,006	851	(155)
Revenues & Benefits Service	535	503	(32)
Property and Assets	707	567	(140)
Corporate Costs	2,025	1,829	(196)
Community Services	(3,249)	(2,625)	624
Strategic Housing Service	870	831	(39)
Environmental Operational Service	2,921	2,967	46
Museum Service	567	576	9
Devt. Mgt, Economic Devt and Planning	658	820	162
CLT & Corporate Services	587	576	(11)
Housing Benefit - net subsidy	(65)	325	389
Equivalent Net Cost of Service	9,958	10,697	739
Capital Charges/Interest/MRP	346	63	(283)
General Fund transfer	27	27	0
To Earmarked Reserves	4,975	4,977	2
From Earmarked Reserves	(1,123)	(1,505)	(382)
Other amounts reported	4,224	3,562	(663)
Total Net Expenditure	14,182	14,258	76

The deficit on operating budgets mainly relates to:

- Additional void costs at Sansome Walk of £150k and grant payments to flood victims of £130k offset by the lower cost of insurance £(115)k.
- A shortfall of £697k Fees and Charges income offset by a one-off benefit from back-dated rent receivable of £(255)k and the Government grant of £130k in respect of flood grant payments.
- lower interest costs than budget of £0.28m as the level of borrowing required was lower than planned.

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

6. Budget Performance - Net Revenue Budget (cont'd)

Net revenue expenditure was financed by:

2019/20			
	Budget £'000	Actual £'000	Variance £'000
NET BUDGET	14,182	14,258	76
New Homes Bonus	(1,527)	(1,528)	(1)
Council Tax	(6,021)	(6,021)	(1)
Business rates	(6,491)	(6,491)	(0)
Revenue Support Grant	0	0	0
Section 31 Grants / Other Grants	(144)	(219)	(75)
Total Funding	<u>(14,182)</u>	<u>(14,258)</u>	<u>(76)</u>
Net Budget Surplus	0	(0)	(0)

Further details on the financial out-turn for the year and the variances to the budget can be found in the Finance report presented to the Council's Policy and Resources Committee on 9 June 2020. A copy can be found at www.worcester.gov.uk

6. Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the gross cost and income generated from the service provision:

Expenditure Type	2019/20 £000	2018/19 £000
Employee expenses	14,461	12,477
Other service expenses	13,289	12,359
Housing Benefit payments	24,747	29,369
Capital charges/gain on disposal	4,554	3,643
Interest paid/Parish Precepts	484	480
Gross Cost of Service Provision	<u>57,536</u>	<u>58,329</u>

Employee expenses include all payments for the City Council's employees including salaries, employer's national insurance and pension contributions, training, professional subscriptions, recruitment, and health and safety costs.

Other service expenses comprising:

Premises, transport related expenses and supplies and services costs include the cost of maintaining buildings, of operating vehicles and of buying goods and services.

Third party payments mainly comprise payments to partners delivering services for the Council.

Capital charges are net servicing of finance costs, impairments and depreciation, and represent the real cost of using assets to provide the Council's services.

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

7. Comprehensive Income and Expenditure Statement (Cont'd)

Income Type	2019/20	2018/19
	£000	£000
Grants and Contributions	(6,853)	(7,798)
Housing benefit grant	(24,497)	(29,239)
Fees, Charges and other service income	(11,375)	(11,155)
Income from Council Tax and Business Rates	(12,601)	(9,147)
(Increase)/Decrease in value of Investment Properties	1,915	360
Change in Fair Value Pooled Investment Funds	100	191
Interest & Investment Income	(480)	(387)
Total Income in Service Provision	(53,791)	(57,175)

Grants and Contributions include the value of capital grants and contributions, in compliance with proper accounting practice. As shown in the expenditure and funding analysis/movement in reserves statement, capital related items are subsequently adjusted in accordance with statutory provisions and do not impact the General Fund.

Fees and charges income comes from users paying for Council services such as leisure facilities, building control, car parking, planning, land charges and licensing.

Other service income includes miscellaneous items such as charges to external bodies and shared services partners.

8. Capital Expenditure and Financing

Expenditure on assets which will provide benefits for more than one year was £14.2m (2018/19 £4m). This compares with a final budget of £17.9m for the year (this included budgets carried forward from 2018/19 and further in-year approvals). The difference largely relates to delayed expenditure on capital projects including those managed in partnership with other local authorities. Funding will be carried forward to 2020/21 to complete these items.

A summary of the capital expenditure in 2019/20 is shown below. Of the £14.2m Council spend, £13.1m was added to the value of the Council's own assets, and the balance of £1.1m was charged in year to the Comprehensive Income and Expenditure Statement as 'revenue expenditure funded from capital under statute'. This created assets which were owned by others - for example, grants to homeowners, or contributions to capital projects managed by other local authorities.

The sources of funding for the Council's capital expenditure are also shown below.

Capital Expenditure/Additions	£000	Source of Financing	£000
Housing and building grants	966	Usable capital receipts	1,337
City centre redevelopment	250	External Grants	890
Play Areas and Parks projects	547	Section 106 funds	64
Economic Development	900	Earmarked reserves	1,016
Development Fund	10,210	Direct Revenue Financing	17
Vehicles, ICT and other equipment	1,194	Borrowing	10,871
Other small capital items	128		
Total	14,194	Total	14,194

WORCESTER CITY COUNCIL NARRATIVE REPORT

9. Treasury Management

The Council borrows for cash flow purposes within specified limits or to fund capital expenditure. Note 25 (Long Term Borrowing) in the Notes to the Core Financial Statements shows details of the Council's outstanding loans and when they mature.

At 31 March 2020 the balance of cash and cash equivalents held was £5.4m with further short-term investments of £4.0m. This total balance of £9.4m is a decrease of £4.3m against the prior year. Major contributors were the £10.2m purchase of an investment property offset by the £2m unwinding of the prepayment to the pension fund which was paid in 2017/18.

10. Pension Fund

The Council's share of the assets and liabilities in the Local Government Pension Fund, as administered by Worcester County Council, is a net liability, and has been calculated in accordance with International Accounting Standard 19. The net liability has increased by £4.1m to £50.3m. Variations between years was largely due to changes in assumptions by the actuary and includes the possible impact on the Local Government Pension Scheme of the decisions of the Court of Appeal in respect of the McCloud case (in respect of age discrimination on the Public Service Pension Schemes). Further details on changes in the Council's pension assets and liabilities can be found in Note 26 to the Core Financial Statements.

The net pensions liability is a position taken at just one point in time and is based on many assumptions about the future. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

11. Reserves

The General Fund balance brought forward from 2018/19 was £1.2m. This has decreased to £1m at 31st March 2020, including the reallocation from brought forward balances to earmarked reserves of £0.2m.

The General fund is maintained for emergency funding issues and to bridge any short-term timing differences in matching income and expenditure budgets.

Earmarked reserves balances brought forward from 2018/19 were £10.2m. The balance at the year-end is £12.8m, a net increase of £2.6m. Of this net increase £2.5m of existing earmarked reserves were utilised in year and a further £5.1m was added to earmarked reserve balances during the year, including the reallocation from general fund balance of £0.2m.

12. Significant Changes in Accounting Policies

The Council regularly reviews its accounting policies. Whilst there have been no significant changes to accounting policies in the financial year, they have been reviewed to incorporate the requirements of IFRS 9 and IFRS 15, which have both been adopted this year.

IFRS 16 Leases was scheduled for implementation on 1 April 2020. However, due to the Covid 19 pandemic, the CIPFA/LASAAC Local Authority Accounting Code Board agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

**WORCESTER CITY COUNCIL
NARRATIVE REPORT**

13. Risk Management

Worcester City Council’s risk management strategy was reviewed in 2016/17 as part of the Achieving Excellence improvement programme to embed a consistent approach to corporate, service and project risks within the Council.

The Corporate Risk Register is monitored by the Corporate Leadership Team on a quarterly basis and during 2019/20 was reported to the Policy and Resources Committee. A full copy of the report can be found on the Council's website.

The risk management strategy is in place to identify and evaluate risk. There are clearly-defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. As examples, some of the key strategic risks that the council faces are shown below.

Risk	Impact	Mitigation
<p>Business Rates Rates Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities.</p>	<p>Adverse financial outcome(s) for the Council in future years</p>	<p>Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals. Continuing discussions with MHCLG and the Valuation Office on measures to resolve outstanding appeals. Maintain risk reserve of £1.7m to mitigate the impact.</p>
<p>General Data Protection Regulation The General Data Protection Regulation (GDPR) Act came into effect on 25th May 2018.</p>	<p>Fines of up to 4% of annual turnover for serious infringements of compliance. Potential implications for the scope and ambition of some transformation initiatives. Implications for the way personal information is requested and stored by departments.</p>	<p>A data audit has been carried out and a review of the process for Privacy Impact Assessments. A data protection officer has been appointed in line with the requirements of the Act.</p>
<p>Reliance on Commercial Income Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents.</p>	<p>A recession or other unexpected / uncontrollable event could leave the Council exposed to under-funding or large losses in income. Competition - As well as individual factors influencing demand the Council has to consider competitive forces in certain service areas, especially trading activities.</p>	<p>Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.</p>
<p>Major Incident Major incident impacting the city e.g. flooding from the river Severn.</p>	<p>Major disruption to Worcester's transport and roads; difficulties for staff getting to work. Impact on residents, especially those classed as vulnerable.</p>	<p>Business continuity plan and a crisis communications plan is in place and all staff are aware of how to respond to an emergency</p>

12. Non-Financial Performance 2019/20

Performance management across all the Council's services is measured using a series of key performance indicators that are reported quarterly using a RAG (red, amber, green) monitoring system. This includes comparisons with the prior year where appropriate.

The year-end performance was presented to the Policy and Resources Committee at its meeting of 26 May 2020 and a copy of this report can be found on the Council's website at www.worcester.gov.uk. Of the 106 key performance indicators 50 were green, 12 were amber and 44 were red.

13. Corporate Plan

In February 2015 the Council approved a five year City Plan: 'Building a successful future on 2,000 years of history'. It can be viewed on the City Council for which the link is - <https://www.worcester.gov.uk/cityplan>

It is focused on improving the city and includes five themes, each with supporting goals, strategies and measures:

1. Stronger and Connected Communities
2. A Prosperous City
3. A Healthy and Active City
4. A Heritage City for the 21st Century
5. Sustaining and Improving our Assets

This plan was jointly prepared and agreed by the three main political groups on the Council. Progress against the core themes within the plan is being recorded through the Council's performance monitoring system.

The Council is currently preparing an update to the City Plan, which is scheduled for completion by April 2021.

WORCESTER CITY COUNCIL NARRATIVE REPORT

14. Events after the Balance Sheet Date

From 1 April 2020, the Council has ended a contract with Civica and has established its own in-house Customer Services. The Council forecasts that this will generate a saving of £100,000 p.a. and provide a service that will be more adaptable to the Council's needs.

On 1 April 2020 the Council increased its borrowing by £6.0m. Long-term borrowing is now £13.3m and remains well within the approved borrowing limits of £80m.

In 2018/19 the Council approved the establishment of a £30m Development Fund for the acquisition of investment properties. In April 2020 the Council purchased the freehold of a second commercial property in Worcester. The property is currently used as office accommodation and is occupied by a tenant from the public sector.

The Council has disposed of two parcels of land since the balance sheet date. In April 2020, the Council received £0.6m from the sale of land at Hopton Street, Worcester for social housing. This land was held in the balance sheet at a value of £0.6m. This was followed in June 2020 with the receipt of £1.8m from the sale of the remainder of the former Park and Ride site at Perdiswell, Worcester. This land was held in the balance sheet at a value of £0.8m and the gain arising of £1.0m will be reported in 2020/21.

On 23 March 2020 the Government implemented lockdown measures designed to limit the spread of the Covid-19 pandemic. These have had a significant impact on the Council's operations and finances specifically:

- The Council's offices and leisure centres are closed and where possible employees are working from home;
- Front-line services are being maintained with risk assessments and social distancing measures in place;
- The Government instructed that temporary accommodation should be found for all homeless individuals, which the Council has done;
- The Council is suffering a significant loss of income from reduced car parking in particular

The Government has provided one-off funding to local authorities of £3.2bn of which the City Council has received £1.2m.

It is currently unclear how long it will take for the lockdown to be lifted and how quickly the economy locally and nationally will recover.

15. Further Information

Further information about the accounts is available from the Head of Finance, The Guildhall, High Street, Worcester, WR1 2EY. Interested members of the public also have a statutory right to inspect the draft accounts on the Council's website before the audit is completed.

In the 'About Your Council' pages under 'City Council Finances' on the Council's website, readers can find copies of audited Annual Accounts going back to 2010/11 as well as a wide range of information about the Council's budgets, medium term planning, fees and charges and annual reports. The 'Council reports' pages also has reports and documents covering the full spread of the Council's management and activities.

WORCESTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT

Legal Framework

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework (2016) fulfils the statutory requirements for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the CIPFA Code.

The Annual Governance Statement adopted by the Council can be found on the Council's website at:

<http://www.worcester.gov.uk>

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position as at 31 March 2020. The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20, relevant International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP). The accounts generally use 'historical cost' figures, except for certain categories of non-current assets and financial instruments which are valued differently as required by accounting rules.

2. Accruals of Income and Expenditure

All revenue and capital transactions are accounted for on an 'accruals' basis. This means that the Council's costs and income due in the year are recorded whether or not the cash has actually been received or paid during the year. In particular:

- Fees, charges, rents and other income are shown as income at the point the Council provides the goods or service;
- Supplies and services provided to the Council are treated as expenditure as they are consumed;
- Interest receivable on investments is accounted for as income using the effective interest rate for the investment rather than the cash flows set by the contract;
- Where income and costs have been recognised but cash has not been received or paid, a debtor or creditor for that amount is recorded in the Balance Sheet. Where it is doubtful that a debtor will pay in full, the balance due is reduced and the income that might not be collected is charged to revenue.

3. Government Grants

Government grants and other contributions to revenue expenditure are shown on an accruals basis and recorded in the accounting statements when it is reasonably sure that the Council will comply with any conditions attached to the grants and that the grants will be received.

Grants received are not shown in the Comprehensive Income and Expenditure Account until the Council has met any conditions attached to the grant or contribution; until then, the grant is shown in the balance sheet as a creditor. Then when conditions are met, the grant or contribution is shown in the Comprehensive Income and Expenditure Account either in the relevant service line if it is a grant for a specific service ("ring-fenced"), or in the line Taxation and Non-Specific Grant Income if it is a general ("non-ringfenced") grant or a capital grant.

The Movement in Reserves Statement then takes capital grants credited to the Comprehensive Income and Expenditure Statement out of the General Fund Balance. Where the grant has been used to pay for capital spending, it is posted to the Capital Adjustment Account. When the grant has not yet been used by the end of the year, it is held in the Capital Grants Unapplied Reserve and transferred to the Capital Adjustment Account once it has been used to pay for capital spending.

Of the main Government grants received each year, Revenue Support Grant is a general grant allocated by central government, so it is 'non-ringfenced' and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

4. Assets - Property, Plant & Equipment

This describes all assets that have physical substance and are used by the Council in providing its goods and services, rented to others, or used for administration, and that are expected to be used for more than one financial year.

Recognition

All expenditure on buying, creating or enhancing Property, Plant and Equipment has been capitalised on an accruals basis at the time the cost is incurred, provided that the Council expects to gain future economic benefits or service potential from the asset and the cost of the asset can be measured reliably. However, expenditure on repairing or maintaining assets is charged direct to revenue accounts as there is no increased future benefit. Assets costing less than £10,000 are treated as 'de minimis' - the amount is too small to be recorded as a capital asset - and charged to the revenue costs of services in the year.

Measurement

Property, Plant and Equipment are first measured at cost, which includes purchase price and any costs needed to bring the asset into use.

Assets are then carried in the Balance Sheet using these measurement bases:

- Community assets (mainly open land) and Infrastructure assets – depreciated historical cost;
- Heritage assets (items with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture) – historical cost or insurance value;
- Specialised assets – if the specialist nature of an asset means there is no evidence obtainable of current market value, then depreciated replacement cost (DRC) is used as an estimate of current value.
- All other assets – fair value, which means the amount that would be paid for the asset in existing use ("existing use value").

Assets included in the balance sheet at fair value are revalued as often as needed to be sure that their carrying amount is not materially different from their fair value at the year-end, and as a minimum are revalued every five years. Any increases in fair value are not taken as income but are held in the Revaluation Reserve as "unrealised gains". Balance-sheet values are useful for general purposes, but are not usually used for decision-making - for example, if the Council was considering selling an asset, it would first refer to the balance-sheet value but then use an up-to-date valuation.

Downward revaluations are first charged against any revaluation gains in the Revaluation Reserve for the same asset, with any excess over the gain in the Revaluation Reserve then charged to the relevant service revenue costs.

The Revaluation Reserve was set up on 1 April 2007, and only holds gains after that date. Gains before then have been consolidated into the Capital Adjustment Account.

Impairment

Impairment happens when the value of an asset suddenly drops, and where it comes from a "clear consumption of economic benefits" (the asset will not last as long as had been expected) and is charged to the relevant service revenue costs.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

Disposals

When it becomes probable that an asset will soon be sold, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of the revaluation or of 'fair value less costs to sell'. If the 'fair value less costs to sell' is less than the revaluation, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale, as they are not being used.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposal are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Local Government Act 2003 states that amounts received when an asset is sold are classed as capital receipts. A share of receipts from housing disposals is payable to central Government; the remaining receipts must be credited to the Capital Receipts Reserve and can then only be used for new capital investment.

The Movement in Reserves Statement shows when all these amounts are taken out of the General Fund and put into capital reserves.

The written-off value of disposals is not a charge against Council Tax, because there are separate arrangements for capital financing. Any losses on disposals are shown in the Comprehensive Income and Expenditure Statement outside the costs of services, and then charged to the Capital Adjustment Account through the Movement in Reserves Statement. Any gains can only be spent on capital assets, so they too do not affect Council Tax.

5. Assets - Charges to Revenue for Non-current Assets

Service revenue accounts are charged with depreciation on assets to reflect the real cost of holding non-current assets during the year. Where capital expenditure is funded by Government Grants or other contributions the depreciation charge is offset by writing down the grant.

Impairment losses are charged to revenue. Impairment losses are losses attributable to the clear consumptions of economic benefits and other losses where there are no accumulated gains in the Revaluation Reserve to which they can be matched.

The Council is not required to raise Council Tax to cover depreciation or impairment losses.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

6. Assets - Depreciation

Depreciation is the annual charge for using assets, and spreads the cost of an asset over the time it is used. It is calculated for all assets with a finite useful life on a straight line basis - the charge each year is the value of the asset divided by its expected useful life. Newly acquired assets are not depreciated in the year of acquisition, but all assets are fully depreciated in the year of disposal. Assets under construction are not depreciated until they are ready to be used. The life expectancy of the main asset classes is:

Buildings - 10 to 100 years;
Vehicles - 5 to 7 years;
Plant - 5 to 30 years;
Equipment - 4 to 15 years.

Community Assets and Investment Properties are not depreciated as the assets do not have an identifiable working life.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is classed as significant if its value is greater than 20% of the total value of the asset or is over £200,000, whichever is higher.

7. Assets - Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals from investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The revaluation gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any receipts, the Capital Receipts Account.

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

8. Revenue Expenditure Funded from Capital under Statute

To be classed as 'capital', expenditure normally has to create an asset of long-term benefit to the Council. Exceptionally, some costs that do not meet that definition can be capitalised by law, and for the City Council that is usually the costs of Disabled Facilities Grants, housing renovations grants, and grants to other bodies for their own capital spending. These create assets that are not owned by the City Council. The payments are charged as expenditure to the relevant service revenue account, and any grant funding the Council receives to support its own payments is credited to the same account. Where the Council funds its grants from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement takes the costs out of the revenue accounts into the Capital Adjustment Account. Hence there is no impact on Council Tax-payers.

9. Operating Leases

Rentals payable under operating leases are charged to the relevant service revenue account on an accruals basis (i.e. when the rents are due, not when they are paid).

10. Reserves

In addition to its general revenue balances the Council has set aside specific 'earmarked reserves' for future identified expenditure. Expenditure is not charged directly against reserves. When expenditure is incurred it is first charged against the relevant service revenue account, so that the costs are recorded in the right place. The Movement in Reserves Statement then shows the appropriate transfer from the reserve into the General Fund balance.

The pension reserve, employee benefit reserve and capital adjustment account do not represent useable revenue resources for the Council.

11. Estimation Techniques

In line with IAS 8, a distinction is made between accounting policies and estimation techniques. Accounting policies set out how things should be included and recorded; estimation techniques concern using expertise and information to attribute a financial value for assets, liabilities, gains, losses and changes in reserves where exact figures are not available - for example, in valuing an asset that accounting policies say should be recorded at 'fair value' but is not actually on the market. Where estimation techniques are used, the notes to the accounts explain when and how this has been done.

There have not been any material changes to the basis of the estimation techniques used since the preparation of the last Statement of Accounts.

12. Inventories

Inventories are valued at the latest price paid for the items held in stocks and stores, with an allowance made for slow moving and obsolete items.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

13. Costs of Central Support Services

In previous years support services were reallocated to enable comparison of costs on a CIPFA SerCOP basis. Following the change in presentation of the comprehensive income and expenditure statement to a management reporting structure there is no longer the requirement to reallocate support services.

14. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of employment of an officer or a group of officers.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits or the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

14. Employee Benefits (cont'd)

Post Employment Benefits

The Council participates in one defined benefits scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. An actuarial valuation is undertaken by the funds actuaries Mercer Human Resource Consulting Limited every 3 years. It was performed in 2019 and is due again in 2022. This includes revised contribution rates payable by the Council in future financial years.

The liabilities of the Worcestershire County Council Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of future payments based on assumptions. Liabilities are discounted to their value at current prices using a discount rate prescribed by the actuary.

The assets of the pension scheme are included in the Balance Sheet at their fair value.

The total pension cost recognised in the Comprehensive Income and Expenditure Statement is made up of:

- The **current service cost** represents the future cost to the employer of one year's accrual of pension benefits for active members, calculated on the actuarial assumptions used at the start of the year for accounting standard IAS19 purposes. Interest on the service cost is now included within the service cost. This cost is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- The **net interest cost** is the difference between the interest paid on pension liabilities and earned on pension assets. The costs are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- The **administration expenses** are the costs of running the fund payable by the employer. This does not include any investment management expenses. These charges are spread across services along with the current service cost.
- The **past service and curtailment costs** are normally the costs of increased benefits being awarded if members retire early during the year. These costs could also come from changes in scheme benefits or augmented benefits for active members. Any past service costs would be shown in the Comprehensive Income and Expenditure Account as the 'Non-distributed costs' line' within Net Cost of Services.

The Balance Sheet includes **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited or credited to the Pensions Reserve.

Contributions paid to the pension scheme (the cash paid as employer's contributions to the pension fund in settlement of liabilities) is budgeted and accounted for as an in-year expense.

Note 26 gives the details of assumptions, changes and costs for the current year and comparatives for the previous year.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

14. Employee Benefits (cont'd)

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information can be found in Worcestershire County Council's Pension Fund Annual Report, available on their website www.worcestershire.gov.uk.

15. Impairment Allowances

An allowance is made for bad and doubtful debts in relation to council tax, business rates, housing benefit overpayments and sundry debts. These allowances reduce the value of total debtors shown on the Balance Sheet. The allowances have been estimated in accordance with recommended practice and past experience and where necessary, a charge is made to the Comprehensive Income and Expenditure Statement.

16. Financial Instruments

Policies adopted in relation to treatment of Financial Instruments are detailed in note 29.

17. VAT

VAT is included within the accounts only if it cannot be recovered, and then it is charged to service expenditure or capital expenditure as appropriate.

18. Associated and subsidiary companies, group accounts

In reviewing the requirement to prepare Group Accounts, the Council has considered IFRS 10 and the CIPFA Code of Practice. The Council is of the opinion that it does not have any material interests in companies and other entities and need not prepare group accounts.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

19. Accounting for Council Tax

As a billing authority, the Council acts as an agent, collecting and distributing Council Tax income on behalf of its major preceptors - Worcestershire County Council, West Mercia Police Authority, Hereford and Worcester Fire and Rescue Authority, and itself.

Council Tax income for the year is the Council's accrued income for the year and not the amount required to be transferred from the Collection Fund under regulation. The difference between the amount included in the Income and Expenditure account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and major preceptors. This results in a debtor/creditor position between the Council and major preceptors for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council's share of Council Tax arrears and impairment for bad debts, Council Tax over payments and prepayments and the debtor/ creditor from the preceptors.

The Council's share of net cash collected from Council Tax debtors in the year is included within the Cash Flow Statement. The difference between the major preceptors' share of net cash collected and amounts paid to precepting authorities is included in the Net Increase/Decrease in Other Liquid Resources within Management of Liquid Resources.

20. Accounting for National Non-Domestic Rates

From 2013/14 the National Non-Domestic Rates scheme was changed to a localised Business Rates regime. For 2019/20 Worcester City is a member of a local Worcestershire Business Rates pilot arrangement with Worcestershire County Council and the other Worcestershire districts. Under the pilot arrangement, levy income which would have been payable to central government has been retained by the pilot. Funding has been available both for Social Care projects and a return of pilot gains to the pilot partners in agreed proportions.

In previous years, under standard arrangements, Worcester City received a 40% share to its general fund of non domestic rating income arising in the collection fund. The general fund then paid a tariff to central government. Overall this meant the general fund reflected baseline funding set by central government together with the Council's share of growth in NNDR income since baselines were set. On this basis the Council reflected its 40% share of all year end balances relating to NNDR (including debtors/creditors/appeals provision). This arrangement will return for 2020/21.

In 2019/20, in accordance with designated pilot shares, Worcester City did not receive a share of NNDR income from the collection fund (but did receive its share of previously declared surplus) and had no tariff to pay. The Council received its baseline funding to the general fund and, under pilot arrangements, received a 'no-detriment' payment and a share of pilot gains. In accordance with proper accounting arrangements, year-end balances of NNDR debtors/creditors and provision for appeals accrue according to the pilot shares and Worcester City has not reflected a share of these balances across the constituent parts of the balance sheet. The overall balances are reflected within increased creditor balances relating to both local authorities and central government.

The cash received in respect of cost of collection allowance is included within Revenue Activities in the Cash Flow Statement. The difference between the amount of cash collected from NNDR taxpayers and the amount paid over to central government and other parties is included in the analysis of financing activities (see note 34).

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

21. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

22. Accounting for Jointly Controlled Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

The City Council receives Shared Services in respect of Building Control, ICT, Worcester Regulatory Services, a Joint Museum Service, and the Worcestershire Hub under a separate shared services contract, from the relevant host Council within Worcestershire. Under these jointly controlled operations, each Council accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

The arrangements are consolidated into the City Council's accounts, and where appropriate, the notes to the accounts show both the details to support the accounts and the comparative details excluding the amounts for the Shared Service.

23. Heritage Assets

All of the Council's heritage assets are held due to their cultural, environmental or historical associations making their preservation for future generations important. The Council holds a number of assets at its two museums in the City. The Council also holds a number of other assets, including furniture, art works and ceramics at the Guildhall.

Where the Council has information on the cost or value of heritage assets, these assets are recognised on the balance sheet otherwise a disclosure is made and the notes to the financial statements explain the significance and nature of those assets not reported on the balance sheet.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The value on the balance sheet is on a valuation or cost basis if this information is available. Where a valuation is not practical the assets are held on the balance sheet at the valuation provided for insurance purposes.

Any impairment of heritage assets is recognised and measured in accordance with the Council's general policies on impairment.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

24. Other Accounting Matters

The Hopmarket Charity is administered by the Council. Once completed, summary accounts for this charity will be reported to the Hopmarket Charity.

25. Events after the balance sheet date

The accounts take into consideration any material event after the balance sheet date i.e. those that:

- provide evidence of conditions that existed at the balance sheet date for which the Council adjusts the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- indicate conditions that arose after the balance sheet date for which the Council would not adjust the amounts in its financial statements (non-adjusting events).

Statement of Accounts

WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT
For the year ended 31 March 2020

	General Fund Uncommitted	Earmarked Reserves	Total General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
Note								
Balance at 1 April 2019	1,191	10,205	11,395	2,712	(0)	14,107	33,506	47,613
<u>Movement in Reserves During 2019/20</u>								
Deficit on the provision of services	(3,744)		(3,744)			(3,744)		(3,744)
Other Comprehensive Income and Expenditure						-	5,233	5,233
Total Comprehensive Income and Expenditure	(3,744)	-	(3,744)		-	(3,744)	5,233	1,489
13 Adjustments between accounting basis and funding basis under regulations	6,217	-	6,217	(1,157)	-	5,060	(5,060)	-
Net Increase/(Decrease) before Transfer to Earmarked Reserve	2,473	-	2,473	(1,157)	-	1,316	173	1,489
14 Transfers to/(from) Earmarked Reserves	(2,630)	2,630	-	-		-	-	-
Increase/(Decrease) in 2019/20	(157)	2,630	2,473	(1,157)	-	1,316	173	1,489
Balance at 31 March 2020	1,034	12,835	13,868	1,555	(0)	15,423	33,679	49,102

WORCESTER CITY COUNCIL
MOVEMENT IN RESERVES STATEMENT
For the previous year ended 31 March 2019

	General Fund Uncommitted	Earmarked Reserves	Total General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000s
Balance at 1 April 2018	2,023	9,498	11,521	3,078	(0)	14,599	34,845	49,444
<u>Movement in Reserves During 2018/19</u>								
Deficit on the provision of services	(1,154)		(1,154)			(1,154)		(1,154)
Other Comprehensive Income and Expenditure	-					-	(676)	(676)
Total Comprehensive Income and Expenditure	(1,154)	-	(1,154)	-	-	(1,154)	(676)	(1,830)
13 Adjustments between accounting basis and funding basis under regulations	1,029	-	1,029	(366)	-	663	(663)	-
Increase in 2018/19	(125)	0	(125)	(366)	0	(492)	(1,339)	(1,830)
14 Transfers to/(from) Earmarked Reserves	(706)	706	0					
Balance at 31 March 2019	1,191	10,205	11,396	2,712	(0)	14,108	33,506	47,613

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2020

Note	2019/20 Gross Expenditure £000s	2019/20 Gross Income £000s	2019/20 Net Expenditure £000s	2018/19 Net Expenditure £000s
Directorate Analysis				Restated *
Corporate and Managing Director	2,630	(481)	2,149	1,823
Finance and Resources	8,285	(1,459)	6,826	6,424
Homes and Communities	9,488	(9,270)	217	(1,460)
Housing Benefit/Subsidy Place	24,822	(24,497)	325	26
	10,698	(3,838)	6,860	6,527
1 NET COST of SERVICES	55,922	(39,545)	16,377	13,340
3 Other operating expenditure			114	(20)
4 Financing and investment income and expenditure			1,855	1,236
5 Taxation and non-specific grant income			(14,602)	(13,401)
DEFICIT/ (SURPLUS) ON PROVISION OF SERVICES			3,744	1,154
28 Surplus on revaluation of non current assets			(5,610)	(5,460)
26 Remeasurements of the net defined benefit liability (pension)**			377	6,136
Other Comprehensive (Income) and Expenditure			(5,233)	676
TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE			(1,489)	1,830

* The Council has restated its 2018/19 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure.

** In both 18/19 and 19/20 the pension fund decreased in value. Note 26 contains the detail.

WORCESTER CITY COUNCIL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (2018/19)
For the year ended 31 March 2020

The Council has restated its 2018/19 Comprehensive Income and Expenditure Statement Net Cost of Services comparatives to reflect changes in the Directorate reporting structure.

Directorate Analysis	As reported 2018/19 CIES £000	Changes in Directorate Structure £000	Restated 2018/19 £000
Corporate and Managing Director	1,823		1,823
Finance and Resources	6,424		6,424
Homes and Communities	(1,279)	(181)	(1,460)
Housing Benefit/Subsidy	26		26
Place	6,345	181	6,526
Net Cost of Services	<u>13,340</u>	<u>0</u>	<u>13,340</u>

WORCESTER CITY COUNCIL
BALANCE SHEET
as at 31 March 2020

Note	2019/20 £000s	2018/19 * see below £000s	
Long term assets			
15	Property, plant & equipment*	81,938	77,931
16	Heritage assets	9,208	9,134
15	Intangible Assets*	179	159
17	Investment property	13,229	4,934
19	Long term Investments	2,709	2,809
18	Long term debtors	118	0
		107,381	94,968
Current assets			
19	Short term investments	4,008	8,043
20	Assets held for sale	1,430	800
31	Inventories	79	69
21	Short term debtors	8,399	5,744
22	Cash and cash equivalents	5,385	5,635
		19,301	20,291
Current liabilities			
23	Short term creditors	(17,947)	(11,394)
24	Provisions	0	(2,682)
25	Short term borrowing	(2,001)	-
		(19,947)	(14,076)
Long term liabilities			
25	Long term borrowing	(7,352)	(7,392)
26	Pensions liability	(50,281)	(46,178)
		(57,633)	(53,570)
	NET ASSETS	49,102	47,613
Financed by:			
27	Usable reserves	15,424	14,107
28	Unusable reserves	33,678	33,506
	TOTAL RESERVES	49,102	47,613

* 2018/19 balances have been amended to separately report intangible assets previously contained within property plant and equipment. Note 15 provides further details.

WORCESTER CITY COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2020

	2019/20	2018/19
Note	£000s	£000s
Net deficit/(surplus) on the provision of services	3,744	1,154
35 Adjustments to net surplus or deficit on the provision of services for non-cash movements	(7,051)	(9,241)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,453	4,238
Net cash flows from:		
32 Operating activities	(1,854)	(3,849)
33 Investing activities	4,488	7,284
34 Financing activities	(2,384)	(1,951)
Net (increase)/ decrease in cash and cash equivalents	250	1,484
Cash and cash equivalents at the beginning of the reporting period	5,635	7,119
Cash and cash equivalents at the end of the reporting period	5,385	5,635

Figures in (brackets) show cash 'in'; other figures show cash 'out'.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

Notes to the Comprehensive Income and Expenditure Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. EXPENDITURE AND FUNDING ANALYSIS

2019/20

Adjustments between the Funding and Accounting basis

	Expenditure Reported Q4 Management £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure in the CIES £000
Corporate and Managing Director	1,702	263	184	-	447	2,149
Finance and Resources	6,101	225	(621)	1,121	725	6,826
Homes and Communities	(1,794)	1,633	378	-	2,011	217
Housing Benefit/Subsidy	325	-	-	-	-	325
Place	4,362	1,778	655	65	2,498	6,860
Net Cost of Services	10,697	3,899	596	1,186	5,680	16,377
Other Operating Expenditure	115	(1)	-	-	(1)	114
Financing & Inv inc and exp	1,357	413	1,137	(1,052)	498	1,855
Taxation & NSG	(14,643)	(255)	-	295	40	(14,602)
Other Income and Expenditure	(13,171)	157	1,137	(757)	538	(12,633)
(Surplus)/Deficit against GF balances in year	(2,474)	4,056	1,733	429	6,218	3,744
Opening General Fund Balances	(11,395)					
Less Deficit/(Surplus) on General Fund balances in year	(2,474)					
Closing General Fund Balances	(13,869)					
Opening Balances comprising:						
Unreserved General Fund	(1,191)					
Earmarked Reserves	(10,205)					
	(11,395)					
Closing Balances comprising:						
Unreserved General Fund	(1,034)					
Earmarked Reserves	(12,835)					
	(13,869)					

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. An analysis of the material items of income and expenditure, by directorate, can be found in the Note 12 to these accounts.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. EXPENDITURE AND FUNDING ANALYSIS

2018/19

	Adjustments between the Funding and Accounting basis							Net Expenditure in the CIES £000
	Expenditure Reported Q4 Management £000	Joint Museum Service Transactions £000	Expenditure Chargeable to the General Fund £000	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	
Corporate and Managing Director	1,636	-	1,636	66	121	-	187	1,823
Finance and Resources	7,239	-	7,239	175	(1,203)	213	(815)	6,424
Homes and Communities	(2,922)	-	(2,922)	1,227	235	-	1,462	(1,460)
Housing Benefit/Subsidy Place	26	-	26	-	-	-	-	26
	4,778	(221)	4,557	1,409	496	65	1,970	6,527
Net Cost of Services	10,757	(221)	10,536	2,876	(351)	278	2,804	13,340
Other Operating Expenditure	119	-	119	(139)	-	-	(139)	(20)
Financing & Inv inc and exp	1,510	-	1,510	(1,196)	1,009	(87)	(274)	1,236
Taxation & NSG	(12,039)	-	(12,039)	(1,037)	-	(325)	(1,362)	(13,401)
Other Income and Expenditure	(10,410)	-	(10,410)	(2,372)	1,009	(412)	(1,775)	(12,185)
(Surplus)/Deficit against GF balances in year	347	(221)	126	505	658	(134)	1,029	1,154
Opening General Fund Balances			(11,521)					
Less Deficit/(Surplus) on General Fund balances in year			126					
Closing General Fund Balances			<u>(11,395)</u>					
Opening Balances comprising:								
Unreserved General Fund			(2,023)					
Earmarked Reserves			(9,498)					
			<u>(11,521)</u>					
Closing Balances comprising:								
Unreserved General Fund			(1,191)					
Earmarked Reserves			(10,205)					
			<u>(11,395)</u>					

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. An analysis of the material items of income and expenditure, by directorate, can be found in the Note 12 to these accounts.

Throughout the year the Joint Museum Service is accounted for separately from the internal management reporting. With effect from 1 April 2018 Worcester City Council assumed hosting responsibilities. The adjustment of £221k noted above represents the in-year surplus, together with external contributions received that are properly reported as part of the movement on general fund balances. These amounts have subsequently been earmarked for use in the Joint Museum Service.

1. EXPENDITURE AND FUNDING ANALYSIS Continued

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

2. Expenditure and Income analysed by nature

<u>Expenditure</u>	2019/20 £000's	2018/19 £000's
Employee Benefits Expenses	14,461	12,477
Other services expenses	13,289	12,359
Transfer Payments (Housing Benefit)	24,747	29,369
Depreciation, amortisation, impairment, downwards revaluations	4,588	3,803
Interest Payments	336	340
Precepts and Levies	148	140
Gain on disposal of assets	(34)	(160)
	57,536	58,329
<u>Income</u>		
Fees, charges and other service income	(11,375)	(11,155)
Interest and Investment Income	(480)	(387)
Change in Fair Value Pooled Investment Funds	100	191
Change in Fair Value of Investment Properties	1,915	360
Income from council tax and non domestic rates	(12,601)	(9,147)
Housing Benefit related grants	(24,497)	(29,239)
Grants and contributions - Other	(6,853)	(7,798)
	(53,791)	(57,175)
(Surplus)/Deficit on Provision of Services	3,744	1,154

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

	2019/20	2018/19
	£000's	£000's
3. Other operating expenditure		
Precepts from Council Tax paid to parish councils	148	140
Gains/Losses on disposal of non-current assets	(34)	(160)
Total	114	(20)

4. Financing and investment income and expenditure

Interest payable and similar charges	336	340
Pensions interest cost and expected return on pensions assets	1,137	1,009
Interest receivable and similar income	(480)	(387)
Net (gains)/losses on financial assets at fair value through profit and loss	100	191
Income and expenditure in relation to investment properties	(1,153)	(278)
Change in Fair Value of Investment Properties	1,915	360
Total	1,855	1,236

The pensions figure includes actuarial estimates of long-term performance, and so may change significantly from year to year.

5. Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to any particular service expenditure and therefore cannot be credited to the gross income amount relevant to an individual service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities.

	2019/20	2018/19
	£000's	£000's
Council tax income	(6,111)	(5,905)
Non-domestic rates	(6,491)	(3,242)
Revenue Support Grant*	-	(306)
Non-ringfenced government grants*	(1,746)	(2,911)
Capital grants and contributions*	(215)	(866)
S106 Developer Contributions*	(40)	(171)
Total	(14,602)	(13,401)

* Further analysed in Note 6	(2,001)	(4,254)
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WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

6. Grants and Contributions

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

Shown within 'Taxation and non specific grant income'	2019/20 £000's	2018/19 £000's
MHCLG Revenue Support Grant (RSG)	-	(306)
MHCLG New Homes Bonus	(1,528)	(1,609)
MHCLG Section 31 Grants (Business Rates)	(84)	(1,202)
MHCLG Minor grants (each < £50,000)	(110)	(72)
Council Tax Hardship Grant	(25)	(28)
S106 Developer Contributions	(40)	(171)
Capital Grants	(215)	(866)
Total	<u>(2,001)</u>	<u>(4,254)</u>
	2019/20 £000's	2018/19 £000's
Shown within the 'Service Expenditure Analysis' lines		
DWP Housing Benefit Grants	(24,331)	(29,045)
DWP Housing Benefit Admin	(278)	(311)
MHCLG Disabled Facilities Grant	(665)	(781)
Cabinet Office Individual Electoral Reg	(25)	(27)
DWP New Burdens Grants	(117)	(139)
Parliamentary Election	(165)	-
European Elections	(148)	-
DWP Discretionary Housing Payments	(166)	(194)
Arts Council	(120)	-
Worcestershire County (One Public Estate)	(50)	-
MHCLG Towns and High Streets Funds	(323)	-
MHCLG Emergency Flooding	(131)	-
MHCLG Single Homelessness / Preventing Homelessness	-	(300)
MHCLG Rough Sleepers Bid	(217)	
MHCLG Preventing Homelessness	-	(186)
MHCLG Flexible Housing Grant	(319)	(383)
MHCLG Rapid Rehousing (Phases 1 & 2)	(508)	-
MHCLG Local Council Tax Admin Support Grant	(101)	(107)
Developer contributions (REFCUS)	(24)	(146)
Developer contributions (Other)	(50)	(124)
Other grants (each less than £50,000)	(116)	(137)
Total	<u>(27,853)</u>	<u>(31,878)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. Members' allowances

Councillors (or Members) are not paid but do receive allowances. Part 6 of Worcester City Council's Constitution sets out the rules for the Members' Allowance Scheme, and is available on the Council's public website. The allowances paid are recommended by an independent remuneration panel and approved by full Council.

The amount paid to members for basic allowances, special responsibility allowances and attendance allowances, travel and subsistence and ICT allowance in 2019/20 was £230,124 (2018/19 £226,953).

8. Employees' remuneration

The Authority's other employees (excluding Corporate Directors) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of employees	
	2019/20	2018/19
£50,000 - £54,999	1	-
£54,999 - £59,999	1	2
£60,000 - £64,999	4	3
£65,000 - £69,999	1	2
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£105,000 - £109,999	-	-
£120,000 - £124,999	-	-
	7	7

Remuneration for these purposes means all amounts paid to or receivable by an employee except for pensions contributions, and includes any payments made on termination of employment, allowances and the money value of any other benefits received other than in cash.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

8. Employees' remuneration (cont'd.)

The total remuneration of senior management (including employer's pension contributions) earning between £50,000 and £150,000 per year is shown below. Senior management for the purposes of this note is the Corporate Leadership team of the Council.

	2019/20				
Post Title	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	112,363	-	112,363	28,990	141,353
Director of Resources	84,064	-	84,064	21,688	105,752
Director of Homes & Communities	79,796	-	79,796	20,587	100,383
Director of Place	84,064	-	84,064	21,688	105,752
Deputy Director Policy & Strategy	70,929	-	70,929	18,300	89,229
Deputy Director Governance	72,135	-	72,135	18,611	90,746
Deputy Director Economic Development	73,556	-	73,556	18,977	92,533
	576,907		576,907	148,842	725,748

	2018/19				
Post Title	Salary, Allowances & Benefits £	Loss of Office £	Sub Total £	Pension Contrib'ns £	Total £
Managing Director	108,629	-	108,629	28,026	136,655
Director of Resources	82,416	-	82,416	21,263	103,679
Director of Homes & Communities*	19,316	-	19,316	4,984	24,300
Director of Place	82,416	-	82,416	21,263	103,679
Director of Commissioning & Delivery **	19,638	-	19,638	5,067	24,705
Deputy Director Policy & Strategy	68,251	-	68,251	17,609	85,860
Deputy Director Governance***	48,434	-	48,434	12,627	61,061
Interim Deputy Director Governance ^	47,320	-	47,320	0	47,320
Deputy Director Economic Development	71,199	-	71,199	18,464	89,663
	547,619		547,619	129,303	676,922

* From Jan 19

** Until June 18

*** Apr 18 to Nov 18 & from Feb 19

^ Nov 18 to Feb 19

9. Exit Packages

Number of exit packages agreed:

	2019/20		2018/19	
	Number	£000's	Number	£000's
In the band £0-£20k	1	10	0	0
In the band £20k-£40k	0	0	1	27
In the band £40k-£60k	1	49	0	0
In the band £60k-£80k	0	0	0	0
In the band £80k-£100k	0	0	0	0
In the band £100k-£120k	0	0	0	0
In the band £120k-£140k	0	0	0	0
In the band £140k-£160k	0	0	1	144
	2	59	2	171

Includes compulsory redundancies: 0 0 0 0

Exit packages include compulsory and voluntary redundancy costs and pension contributions in respect of added years .

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

10. Fees payable to auditors

Ernst Young are the Council's auditors for 2019/20. The Council has incurred the following fees for the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non audit services provided by the Council's external auditor.

	2019/20 £000's	2018/19 £000's
External audit fees	39	42
Certification of grant claims fees	15	41
Total	54	83

The certification of grant claims fees for 2018/19 includes £22k in respect of prior year claims.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

11. Leases

Operating Leases (Council as lessor)

The Council, in accordance with its statutory and discretionary responsibilities, leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2019/20	2018/19
	£000's	£000's
Not later than one year	800	249
Later than one year and not later than five years	3,006	868
Later than five years	11,470	6,714
	<u>15,276</u>	<u>7,831</u>

The increase in the future minimum lease payments is mainly due to the impact of rent reviews settled in 2019/20 and an additional lease relating to a property purchased in 2019/20.

The income for these operating leases has been credited to the I&E. The amounts received in 2019/20 were £1.126m

Operating Leases (Council as lessee)

The Council has a variety of assets such as office equipment and land and buildings by way of operating lease agreements.

	2019/20	2018/19
	£000's	£000's
Lease payments made in the period	<u>107</u>	<u>66</u>

No sub-lease payments or contingent rent payments were made or received. No material sublease income is expected as all assets held under operating lease agreements are used exclusively by the Council.

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	2019/20	2018/19
	£000's	£000's
Not later than one year	167	51
Later than one year and not later than five years	508	146
Later than five years	25	51
	<u>700</u>	<u>248</u>

The increase in lease payments mainly reflects new lease agreements relating to temporary accommodation for Homelessness, the new in-house Customer Services offices' and also equipment for the Jetter Service.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

12. Segmental Income and Expenditure

Note 2 to the accounts shows the Council's income and expenditure by type. The tables below provide an analysis of material items of income and expenditure by reporting segments.

2019/20

	Revenue from external customers £000	Capital			Depreciation / REFCUS/ Downward valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(126)	68	-	195	263
Finance and Resources	(1,591)	225	-	-	225
Homes and Communities Place	(7,120)	1,182	665	451	2,298
	(2,538)	1,234	378	191	1,802
	<u>(11,375)</u>	<u>2,708</u>	<u>1,043</u>	<u>837</u>	<u>4,588</u>

2018/19

	Revenue from external customers £000	Capital			Depreciation / REFCUS/ Downward valuations £000
		Depreciation £'000	REFCUS £'000	Asset valuations £'000	
Corporate and Managing Director	(94)	51	-	15	66
Finance and Resources	(678)	175	-	-	175
Homes and Communities Place	(7,822)	1,108	1,045	-	2,153
	(2,561)	1,137	-	272	1,409
	<u>(11,155)</u>	<u>2,471</u>	<u>1,045</u>	<u>287</u>	<u>3,803</u>

Notes to the Movement in Reserves Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. Adjustments between accounting basis and funding basis under regulations

The following table details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2019/20			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>				
Changes for depreciation and impairment of non current assets	3,507			(3,507)
Amortisation of intangible assets	38			(38)
Changes in Fair value of Investment Properties	1,915			(1,915)
Revenue expenditure funded from capital under statute	1,043			(1,043)
Capital expenditure/REFCUS financed from revenue reserves/balances	(1,042)			1,042
Statutory Provision for repayment of Debt	(459)			459
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	178			(178)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Payments to Housing Capital Receipts Pool	-	-		-
Adjustments involving the Capital Grants Unapplied Account				
Grants received to fund REFUS	(689)		689	-
Other Capital grants and contributions unapplied credited to the CIES	(255)		255	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(944)	944
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(179)	179		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(1,337)		1,337
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	4,453			(4,453)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,721)			2,721
Adjustments involving the Collection Fund adjustment account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	295			(295)
Adjustments involving the Pooled Investment Funds adjustment account				
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	100			(100)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	33			(33)
Total adjustments	6,217	(1,157)	-	(5,059)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. Adjustments between accounting basis and funding basis under regulations

The following table details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2018/19			Movements in unusable reserves £000s
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Changes for depreciation and impairment of non current assets	2,743			(2,743)
Amortisation of intangible assets	15			(15)
Changes in Fair value of Investment Properties	360			(360)
Revenue expenditure funded from capital under statute	1,045			(1,045)
Capital expenditure/REFCUS financed from revenue reserves/balances	(1,116)			1,116
Statutory Provision for repayment of Debt	(440)			440
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	860			(860)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Payments to Housing Capital Receipts Pool	-			-
Adjustments involving the Capital Grants Unapplied Account				
Grants received to fund REFUCUS	(926)		926	-
Other Capital grants and contributions unapplied credited to the CIES	(1,037)		1,037	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,963)	1,963
Adjustments involving the Capital Receipts Reserve				
Transfer of sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(999)	999		-
Transfer from Deferred Capital Receipts Reserve		-		-
Use of the Capital Receipts Reserve to finance capital expenditure		(1,365)		1,365
Adjustments involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	3,357			(3,357)
Employers' pension contributions and direct payments to pensioners payable in the year	(2,698)			2,698
Adjustments involving the Collection Fund adjustment account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(325)			325
Adjustments involving the Pooled Investment Funds adjustment account				
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	191			(191)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-			-
Total adjustments	1,029	(366)	-	(662)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

14. Transfers to or from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2019/20.

2019/20	Balance at 1 April 2019 £000's	Transferred			Balance at 31 March 2020 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	436	-	(127)	(24)	285	For regeneration/transformation/service delivery improvements to fund projects for income generation To fund small projects nominated by members To fund projects supporting the City plan. To fund various specific service projects incl. External Grants (see below)
Income Generation	374	-	(50)	-	324	
Small Projects	119	-	(6)	(33)	80	
City Plan	2,759	594	(368)	33	3,018	
Other Revenue and Capital Reserves	6,517	4,566	(1,979)	24	9,128	
Total Earmarked Reserves	10,205	5,160	(2,530)	-	12,835	
Other Revenue and Capital Reserves						
Affordable Housing bid process	820	39	(284)		575	For expansion of affordable housing in the city
Localised Business Rates	1,548	3,381			4,929	For NNDR appeal costs and collection fund deficit
Income Contingency	495		(381)		114	To provide mitigation against a down-turn in income levels.
Public realm improvements	400		(326)		74	Contribution to the refurbishment of the Shambles
Crematorium Reserve	432	49	(117)		364	For funding of replacement Cremators
Capital Programme Reserve	156		(55)		101	For capital investment, replacement and maintenance of assets
Property Maintenance Fund	96	165	(37)		224	To support 5 year maintenance plan
Commandery Project	51		(17)		34	For funding of refurbishment
External Grants (housing)	1,015	469	(193)	(2)	1,289	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programme	108	44	(99)		53	Play area project delayed to 2020/21
Skills Strategy	208		(103)		105	To support Skills strategy & Training
Tourism Strategy	109		(40)		69	To support Tourism Strategy & Events
Leisure Developments	43		(8)		35	Development of Leisure Facilities
Other Minor Projects	1,036	419	(319)	26	1,162	For various initiatives
Total Other Revenue & Capital Reserves	6,517	4,566	(1,979)	24	9,128	

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

14. Transfers to or from Earmarked Reserves (cont'd.)

For comparison, this note sets out the amounts set aside in the previous year from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back to earmarked reserves to meet General Fund expenditure in 2018/19.

2018/19	Balance at 1 April 2018 £000's	Transferred			Balance at 31 March 2019 £000's	Purpose of reserve
		In £000's	Out £000's	Between £000's		
Transformation Fund	1,015	13	(592)		436	For regeneration/transformation/service delivery improvements
Income Generation	380		(6)		374	to fund projects for income generation
Small Projects	168		(49)		119	To fund small projects nominated by members
City Plan	2,176	1,077	(695)	201	2,759	To fund projects supporting the City plan.
Other Revenue and Capital Reserves	5,759	2,306	(1,347)	(201)	6,517	To fund various specific service projects incl. External Grants (see below)
Total Earmarked Reserves	9,498	3,396	(2,689)	-	10,205	
Other Revenue and Capital Reserves						
Affordable Housing bid process	820				820	For expansion of affordable housing in the city
Localised Business Rates	761	787			1,548	For NNDR appeal costs and collection fund deficit
Income Contingency	495				495	To provide mitigation against a down-turn in income levels.
Public realm improvements	400				400	Contribution to the refurbishment of the Shambles
Crematorium Reserve	327	149	(44)		432	For funding of replacement Cremators
Capital Programme Reserve	196		(40)		156	For capital investment, replacement and maintenance of assets
Gheluvelt Park Toilets	162		(162)		-	For funding of the refurbishment project
Property Maintenance Fund	101	50	(55)		96	To support 5 year maintenance plan
Commandery Project	51				51	For funding of refurbishment
External Grants (housing)	682	508	(175)		1,015	For ring-fenced grant funded housing schemes including homelessness
Play Area Improvement Programmed	88	20			108	Play area project delayed to 18/19
Skills Strategy	342		(134)		208	To support Skills strategy & Training
Tourism Strategy	150		(41)		109	To support Tourism Strategy & Events
Leisure Developments	0	200	(157)		43	Development of Leisure Facilities
Other Minor Projects	1,184	592	(539)	(201)	1,036	For various initiatives
Total Other Revenue & Capital Reserves	5,759	2,306	(1,347)	(201)	6,517	

Notes to the Balance Sheet

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

15. Movement in non-current assets

The movements in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were used during 2019/20 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

Reporting Year	Land and Buildings £000s	Vehicles, Plant & Equipment £000s	Community Assets £000s	Infrastructure Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property Plant & Equipment £000s	Heritage Assets £000s	Intangible Assets £000s	Assets Held for Sale £000s	Investment Assets £000s	TOTAL £000s
Cost or valuation												
At 1 April 2019	71,253	13,159	392	2,241	-	1,095	88,140	9,134	251	800	4,934	103,259
Additions	385	1,334	-	93	-	973	2,785	-	58	-	10,210	13,053
Revaluation increases/(decreases) to revaluation reserve	3,796	-	-	-	-	-	3,796	74	-	630	-	4,500
Revaluation (decreases) to surplus/deficit on provision of services	(837)	-	-	-	-	-	(837)	-	-	-	(1,915)	(2,752)
Derecognition - disposals	-	(394)	-	-	-	-	(394)	-	-	-	-	(394)
Derecognitions - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	78	217	-	5	-	(300)	-	-	-	-	-	-
At 31 March 2020	74,675	14,316	392	2,339	-	1,768	93,490	9,208	309	1,430	13,229	117,666
Accumulated depreciation												
At 1 April 2019	2,333	7,620	-	255	-	-	10,208	-	92	-	-	10,300
Depreciation charge for year	1,492	1,109	-	69	-	-	2,670	-	38	-	-	2,708
Depreciation written out to the revaluation reserve	(1,110)	-	-	-	-	-	(1,110)	-	-	-	-	(1,110)
Depreciation written out to surplus/deficit on provision of services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	(216)	-	-	-	-	(216)	-	-	-	-	(216)
Derecognition - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2020	2,715	8,513	-	324	-	-	11,552	-	130	-	-	11,682
Net book value												
At 31 March 2020	71,960	5,803	392	2,015	-	1,768	81,938	9,208	179	1,430	13,229	105,984
At 31 March 2019	68,920	5,539	392	1,986	-	1,095	77,932	9,134	159	800	4,934	92,959

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

15. Movement in non-current assets

The movements in the Council's non-current asset base is detailed in the table below. All of the assets of the Council were used during 2018/19 by one or more of the services shown in the Comprehensive Income and Expenditure Statement.

Reporting Year	Land and Buildings	Vehicles, Plant & Equipment*	Community Assets	Infrastructure Assets	Surplus Assets	Assets under Construction	Total Property Plant & Equipment	Heritage Assets	Intangible Assets*	Assets Held for Sale	Investment Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation												
At 1 April 2018	67,330	14,316	370	1,902	-	678	84,597	7,696	136	1,469	5,294	99,192
Additions	706	1,316	22	-	-	869	2,913	540	115	-	-	3,568
Revaluation increases to revaluation reserve	3,454	-	-	-	-	-	3,454	878	-	191	-	4,523
Revaluation (decreases) to surplus/deficit on provision of services	(321)	-	-	-	-	(2)	(323)	-	-	-	(360)	(683)
Derecognition - disposals	-	(2,481)	-	-	-	-	(2,481)	-	-	(860)	-	(3,341)
Derecognitions - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	85	8	-	339	-	(451)	(20)	20	-	-	-	0
At 31 March 2019	71,253	13,159	392	2,241	-	1,095	88,140	9,134	251	800	4,934	103,259
Accumulated depreciation												
At 1 April 2018	1,960	9,128	-	119	-	-	11,207	-	76	-	-	11,283
Depreciation charge for year	1,346	974	-	136	-	-	2,456	-	15	-	-	2,471
Depreciation written out to the revaluation reserve	(937)	-	-	-	-	-	(937)	-	-	-	-	(937)
Depreciation written out to surplus/deficit on provision of services	(36)	-	-	-	-	-	(36)	-	-	-	-	(36)
Derecognition - disposals	-	(2,481)	-	-	-	-	(2,481)	-	-	-	-	(2,481)
Derecognition - other	-	-	-	-	-	-	-	-	-	-	-	-
Other movements - reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2019	2,333	7,620	-	255	-	-	10,208	-	92	-	-	10,300
Net book value												
At 31 March 2019	68,920	5,539	392	1,986	-	1,095	77,932	9,134	159	800	4,934	92,959
At 31 March 2018	65,371	5,188	370	1,783	-	678	73,391	7,696	60	1,469	5,294	87,909

* Intangible Assets balances were previously part of vehicles plant and equipment (VPE) balances. Values as at 1 April 2018 have been extracted from the VPE column and are now reported within their own category. In year transactions for 2018/19 have also been updated to reflect this separation.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

15. Movement in non-current assets (cont'd)

Capital commitments

The Council had capital commitments of £1.419m as at 31 March 2020.

Asset valuation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years.

Place Partnership Limited act as the Council's external valuer. The Council's property portfolio is valued by Andrew Harding, a member of the Royal Institute of Chartered Surveyors (RICS). The valuations are carried out in accordance with the requirements of the RICS Appraisal and Valuation Manual and the Accounting Code of Practice. Asset valuations are reviewed on a regular basis having regard to use and type of asset. Plant and machinery are included in the valuation of buildings.

Revaluations and impairments were:	2019/20 Change £000s	2018/19 Change £000s
<u>Operational Properties</u>		
Community Centres x 6	-	2,429
Swan Theatre	-	485
Museum and Art Gallery	-	469
Guildhall	-	391
Built for Sale Properties	263	-
Car Parks	3,178	-
Pitchcroft Racecourse	535	-
145 Bromyard Road	314	-
Other Properties	(221)	293
<u>Non-Operational Properties</u>		
Surplus Assets	-	-
Held for Sale	630	191
Buildings (Investment Properties)	(1,915)	(360)
Heritage Assets (see following page for detail)	74	878

Operational Property

Community Centres were valued in 2018/19 on a DRC basis and reflect general increases in building prices and land values since their previous valuation.

Car Parks - Valuations are based on net car park income and reflect changes in income and expenditure since the previous valuation.

Pitchcroft Racecourse - the valuation is based on the terms of the new lease that was agreed in 2020.

Non-operational Property, Plant and Equipment (Held for Sale/Surplus Assets)

The Council is currently holding Perdiswell Park and Ride as an Asset Held for Sale. The site is held at the same value as previously at £0.8m.

In last year's balance sheet the former swimming pool at Sansome Walk was held as an Asset Held for Sale at a nominal value. It has now been recategorised to Surplus Assets and has been valued at 31 March 2020 at the same nominal value. This reflects the expected cost of demolition of the building prior to disposal.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

16. Heritage Assets

Cost or Valuation	Memorials/ Sculptures	Museums	Guildhall	Total
	£'000	£'000	£'000	£'000
At 1 April 2018	44	5,860	1,792	7,696
Additions	-	540	-	540
Disposals	-	-	-	0
Revaluations/Impairments	-	478	400	878
Reclassifications	-	20	-	20
At 31 March 2019	44	6,898	2,192	9,134
At 1 April 2019	44	6,898	2,192	9,134
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations/Impairments	-	-	74	74
Reclassifications	-	-	-	0
At 31 March 2020	44	6,898	2,266	9,208

General

Heritage assets are things of historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. They are rarely sold and are held at 'valuation' or, if valuation is impracticable, at historical cost.

St Andrew's Spire - In the opinion of the Council, St Andrew's Spire cannot be valued. This is a church spire of cultural value for which there is no alternative use that could be used to inform a valuation on market or fair value basis, and it is most unlikely that in the event of total destruction the spire would be rebuilt. Cost or valuation information is therefore not available and conventional valuation techniques are not reliable in these cases. The Council has decided that the costs of obtaining valuations for this item would be disproportionate in terms of the benefit derived.

Memorials/Sculptures - A memorial in memory of a former council employee, the Stuart McNidder Memorial, located on the Sidbury canal bridge, features helmets, breastplates and pikes to represent the opposing sides of the Civil War. The memorial is reported in the balance sheet at insurance valuation. Two Art Sculptures, funded by Section 106 developer contributions have been installed at Pitmaston Park and Cripplegate Park as part of an arts trail which depicts different aspects of Worcester's heritage. These are valued at historic cost.

Museums - The Council's museums collections are reported in the balance sheet at insurance valuations. The museums collections are managed as part of the Joint Museums Service shared service with the City and Worcestershire County Council. The collections include archaeology, social history, natural sciences, fine and decorative arts.

A collection previously on loan from the Arts Council was gifted to the City and is reflected in the museum additions in 2018/19.

Guildhall - The Guildhall collections are reported in the balance sheet based upon valuations provided in 2019/20 by Philip Serrell (Auctioneers and Valuers). The collection held at the Guildhall includes oil paintings, water colours, prints, antiques, furnishings, porcelain, silver and Civic Regalia.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

17. Non current assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20	2018/19
	£000s	£000s
Rental income from investment property	(1,178)	(280)
Direct operating expenses arising from investment property	26	2
Net (gain)/loss	<u>(1,153)</u>	<u>(278)</u>

The increase in rental income includes £0.4m due to the purchase of new property and £0.3m rental income for the Racecourse, including prior years' back-rent now that the new lease has been completed.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties

	2019/20	2018/19
	£000s	£000s
Balance at the start of the year	4,934	5,294
Additions:		
Purchases	10,210	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(1,915)	(360)
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	<u>13,229</u>	<u>4,934</u>

17: Non Current Assets - Investment Property (cont'd)

Fair Value Hierarchy

The fair value hierarchy prescribed in IFRS13 categorises the inputs to valuation techniques into three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly
- Level 3 - unobservable inputs for the asset.

In the context of the Council's investment property assets there is an active market for most types of property although some adjustment of market data is usually required in the valuation process, and on that basis the valuation inputs are considered as Level 2. For specialised properties for which there is no recognised market the valuation inputs are classified as level 3.

Valuation techniques used to determine fair values for investment properties

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have inspected the properties, unless where valued on a desktop basis, relying on data provided by Place Partnership Limited. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

Highest and best use of investment properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

18. Long Term Debtors

	2019/20 £000's	2018/19 £000's
Loans to third parties	118	0
	<u>118</u>	<u>0</u>

The new loan is to a local community leisure organisation for refurbishment of its facility. It is at a commercial rate of interest and is being repaid over 20 years.

19. Investments

The Council has long term investments at 31st March as shown:

	2019/20 £000's	2018/19 £000's
CCLA Property Fund	<u>2,709</u>	<u>2,809</u>
	<u>2,709</u>	<u>2,809</u>

The Council's short term investments on 31st March were:

	2019/20 £000's	2018/19 £000's
Bank/Building Society balances at amortised cost - invested:		
Over 3 months and up to 12 months	<u>4,008</u>	<u>8,043</u>
	<u>4,008</u>	<u>8,043</u>

Joint ventures

Worcester Racecourse Ltd (WRL) is a joint venture company owned 81% by Arena Leisure Racing Limited and 19% by Worcester City Council. The purpose of the venture is to operate National Hunt Racing at the Racecourse on Pitchcroft, an activity which is authorised by the Worcester City Council Act 1985. The Council has 19 £1 shares with voting rights. The latest available set of Audited Accounts is as at 31st December 2018 and shows that the shareholders' deficit at that time (£4,544,675) was broadly similar to that of the previous year (£4,265,917). Therefore the Council has not revalued the fair value of the investment.

WRL is a company with limited liability and so in the event of losses or deficits the Council's liability is restricted to the £19 value of its shareholding. Copies of the audited accounts for WRL are available from Companies House.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

20. Assets held for sale

	2019/20	2018/19
	£000's	£000's
Current assets		
Opening balance	800	1,469
Assets newly classified as held for sale	630	-
Revaluations	-	191
Disposals	-	(860)
Closing balance	<u>1,430</u>	<u>800</u>

Assets that are available for immediate sale in their present condition, and where a sale is highly probable, are shown separately from the assets that the Council uses to deliver its services or to provide future income.

The Council is currently holding the former Perdiswell Park and Ride site as an Asset Held for Sale at £800k and land at Hopton Street at £630k.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. Debtors

The money owed to the Council and due for payment in less than one year is:

	2019/20	2018/19
	£000's	£000's
Council tax/NNDR/Housing Benefit Overpayments	2,744	3,137
Government departments	513	559
Local authorities - Taxation/Non exchange	3,181	787
Local authorities - Other*	361	376
Worcester Community Housing*	151	180
Payments in advance	1,040	276
Other debtors*	1,579	1,536
	9,569	6,850
Less: impairment allowance for doubtful debts		
Council tax/NNDR/Housing Benefit Overpayments	(1,010)	(1,033)
Other*	(160)	(73)
	8,399	5,744

Items marked with a * are reflected as part of the financial instruments balances.

The amount due from Worcester Community Housing is the City Council's share of the proceeds from the sale of former Council dwellings.

The impairment allowance for doubtful debts is based upon an age analysis of the arrears with a provision made where payment is considered to be unlikely. The provision represents 22% of the debt outstanding. 100% is provided on Housing Benefit overpayments that are over two years old. For Council Tax and National Non-Domestic Rates arrears the percentage allowance for debts is based on a sliding scale according to the year due up to a maximum of 100%. For sundry debts no allowance is provided where the counter party is central or local government.

22. Cash and cash equivalents

Cash equivalents are investments that can be cashed within 3 months of deposit - the balances of cash and cash equivalents are:

	2019/20	2018/19
	£000's	£000's
Cash and bank held by the Council	385	(765)
Short term investments	5,000	6,400
	5,385	5,635

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

23. Creditors

The money owed by the Council and due for payment in less than one year is:

	2019/20	2018/19
	£000's	£000's
Government departments	5,474	4,602
Local Authorities - Taxation/Non exchange	6,785	1,670
Local Authorities - Other*	1,938	1,587
Receipts in advance	834	702
Section 106 planning obligations*	895	793
Council Taxpayers/NNDR prepayments	129	517
Other creditors*	1,891	1,522
	<u>17,947</u>	<u>11,393</u>

Items marked with a * are reflected as part of the financial instruments balances.

24. Provisions

	2019/20	2018/19
	£000's	£000's
Non Domestic Rates - Share of Appeals Provision (Pool)	0	2,682
	<u>0</u>	<u>2,682</u>

Within the Collection Fund the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council's statutory share of this liability is usually 40%. However, in accordance with proper accounting practice, 2019/20 reflects the share of the pilot scheme in operation for the county in 19/20. All business rates related balances as at 31 March 2020 are attributable to Central Government, Worcestershire County Council and Herefordshire and Worcestershire Fire and Rescue Authority. The balances form part of the Government Departments and Local Authority taxation figures shown in Note 23 Creditors above. Please refer to accounting policies point 20 for further details of the pilot arrangements.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

25. Borrowing

Short term borrowing

	2019/20 £000's	2018/19 £000's
Local Authority Counterparty	2,001	0
	<u>2,001</u>	<u>0</u>

Short term borrowing is undertaken to manage day to day cashflow fluctuations in accordance with treasury management policies. The borrowing was repaid in April 2020.

Long term borrowing

	2019/20 £000's	2018/19 £000's
P.W.L.B.	2,279	2,319
Money market	5,073	5,073
	<u>7,352</u>	<u>7,392</u>
Maturing within one year	5,172	5,139
Maturing in 1-2 years	33	73
Maturing in 2-5 years	147	139
Maturing in 5-10 years	0	41
Maturing in more than 10 years	2,000	2,000
	<u>7,352</u>	<u>7,392</u>

£5m of the amount shown as 'Long term borrowing maturing within one year' is a 50-year LOBO loan that is due for repayment in 2054 but can be repaid without penalty on the specified 'call dates' 3rd June or 3rd December each year if the lender exercises their right to change the interest rate.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension costs

As part of the terms and conditions of employment, the Council offers retirement benefits to its employees. Although these benefits will not be payable until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Worcestershire County Council Pension Fund, which is a defined benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The Council and employees pay contributions into the fund which are calculated at a level intended to balance pensions liabilities and investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yield and the performance of the equity investments held. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as highlighted in the Statement of Accounting Policies.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are a planned unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Where applicable, the obligation relating to unfunded benefits

Pensions liability relating to the Regulatory Shared Service (WRS) & Place Partnership Limited (PPL)

WRS - This Council transferred its staff to the host authority (Bromsgrove District Council) on a fully funded basis. The shared service was admitted to the pension fund as an admitted body, any liability or surplus that accrues is the responsibility of the partners to the shared service.

The Council's share of assets and liabilities in the WRS scheme represents 16.76% (16.76% 2018/19 of the total).

PPL - Until 31 March 2019 the Council had a 4.7% share of the assets and liabilities of the pension scheme in relation to Place partnership Ltd. At 31 March 2019 the scheme was fully funded. From 1 April 2019 the Property Services team was brought in-house and all pension transactions are reflected within the main Worcester City figures.

	Regulatory Services (100%)		Place Partnership (100%)	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Present value of liabilities	(31,441)	(31,441)	-	(33,988)
Fair value of assets	22,746	22,746	-	33,988
Deficit in scheme	(8,695)	(8,695)	0	0
Worcester City Council share of deficit	(1,457)	(1,457)	-	-

No provision is made to recover the deficits within this account. The deficit will be made good over time, either through improved fund performance or through higher contribution rates being paid into the fund as advised by the independent actuaries. The Council's share of transactions and net liability is reflected in the WRS/PPL columns within this disclosure note.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension costs (cont'd)

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Included in the Comprehensive Income and Expenditure Account

	Worcester City (excluding WRS)		Share of WRS/PPL		Combined Total	
	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's
Net cost of service						
Current service cost	2,579	2,044	111	147	2,690	2,191
Past service and curtailment costs	600	156	26	0	626	156
Financing & Investment Income and Expenditure						
Net interest expense	1,101	981	36	28	1,137	1,009
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,280	3,181	173	176	4,453	3,357

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's
<u>Remeasurement of the net defined benefit liability comprising:</u>						
Return on plan assets (excluding the amount included in the net interest)	5,210	(887)	(20)	(162)	5,190	(1,049)
<u>Remeasurements (Liabilities)</u>						
Change in business combination	-	507	-	-	-	507
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(4,908)	6,235	95	443	(4,813)	6,678
Experience (gains)/losses on liabilities	-	-	-	-	-	-
Total remeasurements included in Other Comprehensive Income & Expenditure	302	5,855	75	281	377	6,136
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,582	9,036	248	456	4,830	9,492

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,280)	(3,181)	(173)	(176)	(4,453)	(3,357)
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Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to scheme	2,645	2,588	76	110	2,721	2,698
Retirement benefits payable to pensioners/Transfers Paid	4,264	1,874				

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension costs (cont'd)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	Worcester City (excluding WRS)		Share of WRS/PPL		Combined Total	
	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's	2019/20 £000's	2018/19 £000's
Present value of the defined benefit	120,072	122,664	4,429	5,754	124,501	128,418
Fair value of plan assets	(71,421)	(75,951)	(2,800)	(4,298)	(74,221)	(80,249)
Sub-total	48,651	46,713	1,629	1,456	50,280	48,169
Net liability arising from defined benefit obligation	48,651	46,713	1,629	1,456	50,280	48,169

Statutory arrangements for funding the deficit mean that the financial position of the Council is consistent with previous financial years. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary.

The net liability shown above differs to the pension fund liability shown in the balance sheet by the remaining balance of £2.0m from the pre-payment which was made in 2017/18. This pre-payment secured a reduction of £0.4m over the 3 years to 2019/20.

Reconciliation of present value of the scheme liabilities

	2019/20 £000s	2019/20 £000s	2019/20 £000s	2018/19 £000s	2018/19 £000s	2018/19 £000s
	Worcester City (excluding WRS)	Share of WRS	Combined Total	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	122,664	5,754	128,418	108,835	5,082	113,917
Current Service Cost	2,579	111	2,690	2,044	147	2,191
Interest Cost	2,898	131	3,029	2,896	166	3,062
Contributions by scheme participants	502	23	525	433	34	467
Remeasurement (gain)/loss						
- Experience gain/Loss	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial gains/losses arising from changes in financial assumptions	(4,908)	95	(4,813)	6,235	443	6,678
Benefits paid	(4,264)	(113)	(4,377)	(1,874)	(118)	(1,992)
Past service cost	576	26	602	-	-	-
Entity combinations	-	(1,597)	(1,597)	3,939	-	3,939
Curtailments	24	-	24	156	-	156
Closing balance at 31 March 2020	120,071	4,429	124,500	122,664	5,754	128,418

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension costs (cont'd)

Reconciliation of movement in the Fair Value of Scheme Assets

	£000s	2019/20 £000s	£000s	£000s	2018/19 £000s	£000s
	Worcester City (excluding WRS)	Share of WRS	Combined Total	Worcester City (excluding WRS)	Share of WRS/ PPL	Combined Total
Opening balance at 1 April	75,951	4,298	80,249	68,569	3,972	72,541
Interest Income	1,827	96	1,923	1,942	140	2,082
Contributions by employer - Current Year	2,645	76	2,721	2,588	110	2,698
Contributions by scheme participants	502	23	525	433	34	467
<u>Remeasurement gain/loss</u>						
Return on plan assets excluding the amount included in the net interest expense	(5,210)	20	(5,190)	887	162	1,049
Entity combinations	-	(1,598)	(1,598)	3,432	-	3,432
Benefits paid	(4,264)	(113)	(4,377)	(1,874)	(118)	(1,992)
Admin Expenses	(30)	(1)	(31)	(26)	(2)	(28)
Closing balance at 31 March	71,421	2,801	74,222	75,951	4,298	80,249

Pension Scheme Assets (Worcester City Only) Comprised:

	Fair value of scheme assets	
	2019/20 £000s	2018/19 £000s
Cash and cash equivalents	429	1,747
Equity instruments by type:		
- UK quoted	143	151
- Overseas quoted	17,284	20,051
- PIV UK Managed Funds	8,999	10,177
- PV UK Managed Funds (Overseas equities)	23,926	24,228
- PIV Overseas Managed Funds	71	-
Sub-total equity	50,423	54,607
Bonds by sector:		
- Corporate	3,571	3,722
- UK Government Fixed	5,142	6,152
- Overseas Government	71	-
Sub-total bonds	8,784	9,874
Property by region:		
- European Property Funds	1,643	1,975
- UK Property Debt	500	684
- Overseas Property Debt	357	456
- UK Property Funds	1,500	1,671
- Overseas REITs	143	-
Sub-total property	4,143	4,786
Alternatives		
- UK Infrastructure	3,500	2,734
- European Infrastructure	1,928	1,443
- US Infrastructure	1,286	228
- UK Stock Options	500	532
- Overseas Option/Corporate Debt	428	-
Sub-total Alternatives	7,642	4,937
Total assets	71,421	75,951

All scheme assets have quoted prices in active markets.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension costs (cont'd)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including mortality rates and salary levels. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries. The last full valuation of the scheme was as at 1 April 2019.

The principal assumptions used by the actuary are:

Local Government Pension Scheme & Unfunded Benefits Assumptions	2019/20	2018/19
Mortality rates		
Longevity at 65 for current pensioners		
Male	22.6	22.8
Female	25	25.8
Longevity at 65 for future pensioners		
Male	24.2	25.1
Female	27.0	28.2
Other		
Rate of inflation (CPI)	2.10%	2.20%
Rate of increase in salaries	3.60%	3.70%
Rate of increase in pensions	2.20%	2.30%
Rate for discounting scheme liabilities	2.40%	2.40%
Take up of option to convert annual pension into retirement lump sum	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pension Costs (cont'd)

Impact on the Defined Benefit Obligation in the Scheme	Increase / (Decrease) in Assumption £'000
Longevity (increase or decrease in 1 year)	3,278
Rate of inflation (increase or decrease by 0.1%)	1,825
Rate of increase in salaries (increase or decrease by 0.1%)	145
Rate of discounting scheme liabilities (increase by 0.1%)	(1,797)

Impact on the Council's Cash Flows

The actuarial estimate of contributions payable in 2020/21 is £2.482m. However, the Council has taken advantage of the discount available by paying three years contributions in advance in April 2020.

The weighted average duration of the defined benefit obligation for scheme members is 15 years for 2019/20.

Accounting for the McCloud Judgement/GMP equalisation

The preceding pensions notes include the impact of increased pension liabilities in relation to the impact on the LGPS of the decisions of the Court of Appeal in the Sargeant/McCloud cases (i.e. that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination) and the impact of GMP equalisation following the Barber judgment (i.e. that UK and European Law requires pension schemes to provide equal benefits to men and women, including those benefits accrued from the date of the judgement). The McCloud impact was reflected in 2018/19 accounts following receipt of updated schedules from our actuaries. The past service costs reflected in 2019/20 figures relate to GMP indexation.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

27. Usable reserves	2019/20	2018/19
	£000's	£000's
Earmarked General Fund Reserves	12,835	10,205
Capital Grants Unapplied	0	0
Uncommitted General Fund Balance	1,034	1,191
Useable Capital Receipts	1,555	2,712
	<u>15,424</u>	<u>14,107</u>

The Council's 'usable reserves' represent money that can be used to pay for services or reduce the amounts that have to be raised from taxation.

Earmarked reserves have been set aside for specific spending in the future, and Note 14 lists all the earmarked reserves and shows the changes during the year.

There is no legal minimum or maximum level of reserves that a local authority is expected to keep: each Council chooses its own working balance to help smooth out uneven cash flows, avoid unnecessary temporary borrowing and be ready for any unexpected events or emergencies.

28. Unusable reserves	2019/20	2018/19
	£000's	£000's
Revaluation Reserve	34,792	29,691
Capital Adjustment Account	49,649	52,039
Pensions Reserve	(50,281)	(48,172)
Pooled Investment Funds Adjustment Account	(291)	(191)
Accumulated Absences Adjustment Account	(205)	(172)
Collection Fund Adjustment Account	14	310
Balance at 31 March	<u>33,678</u>	<u>33,506</u>

The Council's 'unusable reserves' cannot be used to provide services or reduce the amounts that have to be raised by taxation. They are shown in more detail on the following pages.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

28. Unusable Reserves (cont'd)

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the notional value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired, and the gains are lost;
- used to provide services, and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20	2018/19
	£000's	£000's
Balance at 1 April	29,691	25,601
Upward revaluation of assets	6,122	6,039
Downward revaluation of assets	(512)	(579)
Difference between fair value depreciation and historical cost depreciation	(508)	(436)
Accumulated gains on assets sold or scrapped	-	(935)
Balance at 31 March	<u>34,792</u>	<u>29,691</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The figures on the next page show details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

28. Unusable Reserves (cont'd)

Capital Adjustment Account

	2019/20	2018/19
	£000's	£000's
Balance at 1st April	52,040	50,807
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment and revaluation losses of non current assets	(3,507)	(2,743)
Amortisation of intangible assets	(38)	(15)
Revenue expenditure funded from capital under statute (REFCUS)*	(1,043)	(1,045)
Statutory provision for repayment of debt	459	440
Current Cost_Historic Cost Depreciation Adjustment	508	437
Changes in Fair Value Investment Properties	(1,915)	(360)
Write out revaluations gains on disposal of assets	-	935
Amounts of non current assets written off on disposal as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(178)	(860)
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,337	1,365
Capital contributions	64	317
Use of earmarked reserves	1,016	1,029
Direct Revenue Financing	17	87
Application of grants to capital financing	890	1,647
Balance at 31st March	<u>49,650</u>	<u>52,040</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

28. Unusable Reserves (cont'd)

Pensions Reserve

	2019/20	2018/19
	£000's	£000's
Balance at 1st April	(48,171)	(41,377)
Remeasurements of the net defined pension liability	(377)	(6,136)
Reversal of items relating to retirement benefits debited on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,453)	(3,357)
Employer's pension contributions and direct payments to pensioners payable in the year	2,721	2,698
Balance at 31st March	(50,280)	(48,171)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pooled Investment Funds Adjustment Account (PIFAA)

	2019/20	2018/19
	£000's	£000's
Balance at 1st April	191	-
Amount by which changes in the fair value of pooled investment funds differs from amounts chargeable to the general fund in accordance with statutory requirements	100	191
Balance at 31st March	291	191

The PIFAA is a statutory non useable reserve which mitigates the impact of fair value movements on pooled investment funds on taxpayer funds. The adjustment does not apply to impairment losses, sale or disposals related to pooled investment funds.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

28. Unusable Reserves (cont)

Accumulated Absences Adjustment Account

This account absorbs the differences that would otherwise show in the General Fund Balance from accruing for compensated absences earned but not taken in the year i.e. annual leave entitlement carried forward at 31 March. As this is not a cash charge to taxpayers, statutory arrangements require transfers to or from this account so that there is no impact on the General Fund Balance.

	2019/20 £000's	2018/19 £000's
Balance at 1st April	(172)	(172)
Amounts accrued at the end of the current year	-	-
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(33)	-
Balance at 31st March	<u>(205)</u>	<u>(172)</u>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences from the council tax and business rates income shown in the Comprehensive Income and Expenditure Statement, as it falls due from council tax payers, compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

	2019/20 £000's	2018/19 £000's
Balance at 1st April	310	(16)
Amount by which Collection Fund council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
- Council Tax	(59)	7
- NNDR (Business rates)	(237)	318
Balance at 31st March	<u>14</u>	<u>310</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29. Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with HSBC bank,
- fixed term deposits and reverse repurchase agreements with banks and building societies,
- loans to other local authorities,
- certificates of deposit and covered bonds issued by banks and building societies,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category). The Council did not hold any instruments matching this classification.

Fair value through profit and loss (all other financial assets) comprising:

- various money market funds ,
- property funds managed by CCLA fund managers,

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29 Financial Instruments (balances)

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000s	£000s	£000s	£000s
Loans at amortised cost:				
- Principal sum borrowed	7,253	7,294	2,000	0
- Accrued interest	99	99	1	0
Total Borrowing	7,352	7,392	2,001	0
Liabilities at amortised cost:				
- Trade payables	0	0	4,725	3,902
Included in Creditors *	0	0	4,725	3,902
Total Financial Liabilities	7,352	7,392	6,726	3,902

* The creditors line on the balance sheet includes items that do not meet the definition of a financial liability as they relate to non exchange transactions. Note 23 provides more detail.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000s	£000s	£000s	£000s
At amortised cost:				
- Principal	0	0	4,000	8,000
- Accrued interest	0	0	8	43
At fair value through profit & loss				
- Fair Value	2,709	2,809	0	0
Total Investments	2,709	2,809	4,008	8,043
At amortised cost:				
- Principal	0	0	385	2,835
At fair value through profit & loss				
- Fair Value			5,000	2,800
Total Cash and Cash Equivalents	0	0	5,385	5,635
At amortised cost:				
- Trade Receivables	0	0	2,090	2,092
- Loss allowance	0	0	-160	-73
Included in Debtors	0	0	1,930	2,019
Total Financial Assets	2,709	2,809	11,323	15,697

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29 Financial Instruments (Gains and Losses)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities	Financial Assets		2019/20 Total £'000	2018/19 Total £'000
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000		
Interest expense	336	-	-	336	340
Losses from changes in fair value	-	-100	-	-100	-191
Interest payable and similar charges	336	-100	0	236	149
Interest income	-	-	359	359	275
Dividend income	-	121	-	121	112
Interest and investment income	0	121	359	480	387
Net impact on surplus/deficit on provision of services	336	21	359	716	536

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29 Financial Instruments (Fair Values Cont'd)

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow

	Fair Value Level	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	2,279	2,818	2,320	2,924
Long-term LOBO loans	2	5,073	8,566	5,073	8,121
TOTAL		7,352	11,384	7,392	11,045
Liabilities for which fair value is not disclosed *		4,725		3,902	
TOTAL FINANCIAL LIABILITIES		12,077		11,294	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		4,725		3,902	
Long-term borrowing		7,352		7,392	
TOTAL FINANCIAL LIABILITIES		12,077		11,294	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	5,000		2,800	
Bond, equity and property funds	1	2,709		2,809	
<i>Financial assets held at amortised cost:</i>					
Long-term bank deposits & repos	2	385	385	2,835	2,835
Long-term loans to local authorities	2	4,008	4,008	8,043	8,042
Long-term loans to companies	3	118	118	0	0
TOTAL		12,220	12,220	16,487	16,486
Assets for which fair value is not disclosed *		1,930		2,019	
TOTAL FINANCIAL ASSETS		14,150		18,506	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		118		0	
Long-term investments		2,709		2,809	
Short-term debtors		1,930		2,019	
Short-term investments		4,008		8,043	
Cash and cash equivalents		5,385		5,635	
TOTAL FINANCIAL ASSETS		14,150		18,506	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29. Financial Instruments - Risks

Risk Management

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.

Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £3m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £2m applies. The Council also sets limits on investments in certain sectors. No more than £3m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2020		31 March 2019	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	2,000	0	1,700
A+	0	0	0	1,900
A	0	0	0	0
A-	0	0	0	0
BBB+	0	0	0	0
Unrated local authorities	0	2,000	0	8,000
Unrated building societies	0	0	0	0
Unrated housing associations	0	0	0	0
Total	0	4,000	0	11,600
Credit risk not applicable *	3,000	5,000	3,000	2,800
Total Investments	3,000	9,000	3,000	14,400

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments at 31 March 2020 (and 31 March 2019) were immaterial.

Credit risk also arises on credit exposure to the Council's customers. The Council does not generally allow credit for its trade debtors. The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 21.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29. Financial Instruments (cont'd)

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2020			31 March 2019		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	73	-9,000	-8,927	41	-14,400	-14,359
Over 1 but not over 2	33	0	33	73	0	73
Over 2 but not over 5	147	0	147	139	0	139
Over 5 but not over 10	0	0	0	41	0	41
Over 10 but not over 20	2,000	0	2,000	2,000	0	2,000
Over 20 but not over 40	0	0	0	0	0	0
Over 40	0	0	0	0	0	0
Uncertain date *	5,000	-3,000	2,000	5,000	-3,000	2,000
Total	7,253	-12,000	-4,747	7,294	-17,400	-10,106

* The Council has £5m (2019: £5m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market risk: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29. Financial Instruments (cont'd)

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2020 £000	31 March 2019 £000
Increase in interest receivable on variable rate investments	-84	-131
Impact on Surplus or Deficit on the Provision of Services	-84	-131
Decrease in fair value of loans and investments at amortised cost *	6	12
Decrease in fair value of fixed rate borrowing *	-1,499	-1,466

*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has £5m (2018: £5m) of "Lender's option, borrower's option" (LOBO) loans with dates half yearly where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low. However, the likelihood will increase in later years should market interest rates rise.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2020 would result in a £0.135m (2019: £0.14m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Market Risks: Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to losses arising from movements in exchange rates.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

30. Capital expenditure and financing

	2019/20	2018/19
	£000's	£000's
Capital expenditure adding to non-current asset valuation		
Land and buildings	385	706
Community/Infrastructure	93	22
Vehicles, plant and equipment	1,392	1,431
Work in progress	973	869
Additions to fixed assets	2,843	3,028
Additions - Investment Assets	10,210	0
Additions - Donated Assets	0	540
Loans for capital purpose	98	0
Capital expenditure not adding to fixed asset valuation		
Revenue expenditure funded from capital under statute*	1,043	1,045
Total Capital expenditure	14,194	4,073
Financed by:		
Usable capital receipts	1,337	1,365
Grants and other contributions	890	1,647
Section 106 funds	64	317
Earmarked reserves	1,016	1,029
Direct Revenue Financing	17	87
Borrowing (not immediately financed)**	10,871	169
Total capital financing	14,194	4,613

*Revenue expenditure funded from capital under statute covers items that would not normally be treated as capital spend under the usual rules of accounting, but are set as 'capital' by law. This is usually items that create an asset which is not owned by the Council - for example, when the Council makes a Disabled Facilities Grant payment to a householder, or when the Council works in partnership with another local authority to improve community facilities owned by several authorities.

** Where capital expenditure is to be financed in future years by charges to revenue (as assets are used by the Council), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR movement is analysed below:

	2019/20	2018/19
	£000's	£000's
Opening Capital Financing Requirement	11,230	11,502
Capital Investment	14,194	4,613
Immediate financing of Capital	(3,323)	(4,444)
Minimum revenue provision (reduces underlying need to borrow)	(459)	(440)
LAMS (long term borrowing) repayment	0	0
Closing Capital Financing Requirement	21,642	11,230

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

31. Inventories

	2019/20	2018/19
	£000's	£000's
Environmental Operations	36	32
Tourist Information Centre	23	20
Museums Service	17	17
Guildhall Bar Stock	4	-
Total	79	69

Notes to the Cashflow Statement

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

32. Cash Flow Statement - operating activities

The cash flows from operating activities include:

	2019/20 £000's	2018/19 £000's
Interest received	(480)	(387)
Interest paid	336	340
	<u>(144)</u>	<u>(46)</u>

33. Cash Flow Statement - investing activities

The cash flows for investing activities come from:

	2019/20 £000's	2018/19 £000's
Purchase of property, plant and equipment (Disposal)/Purchase of short-term investments	13,053 (6,700)	3,568 7,000
Proceeds from the sale of Property, Plant and Equipment and of Investment Property	(212)	(1,020)
Capital grants/Contributions received	(1,653)	(2,264)
Net cash flows from investing activities	<u>4,488</u>	<u>7,284</u>

34. Cash Flow Statement - financing activities

The cash flows for financing activities come from:

	2019/20 £000's	2018/19 £000's
Receipts from short & long term borrowing	(1,960)	-
Other receipts from financing activities	(425)	(1,991)
Repayments of short and long-term borrowing	-	40
Other payments for financing activities	-	-
Net cash flow from financing activities	<u>(2,384)</u>	<u>(1,951)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

35. Cash Flow Statement – Adjustments for Non Cash Movements

The adjustments for non cash movements within the net deficit on the provision of services include the following items:

	2019/20	2018/19
	£000's	£000's
Depreciation	(2,708)	(2,471)
Impairment and downward valuation	(837)	(287)
(Increase) in creditors	(5,895)	(2,637)
Increase/ (decrease) in debtors	735	(2,021)
Increase in stock	10	45
Items relating to retirement benefits	976	(659)
Movements in the value of investment properties	(1,915)	(360)
Movements in the value of pooled investments	(100)	(191)
Adjustment to provisions	2,682	(660)
	<u>(7,051)</u>	<u>(9,241)</u>

Other Notes

36. Related party transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates. It provides some of its funding in the form of grants and it prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are detailed in Note 6.

NHS

During 2019/20 the Council purchased a commercial property in the city. It is let to the NHS for an annual rent of £493k and the rent received in 2019/20 was £479k.

Members

Members of the Council have direct control over the Council's financial and operating policies. The Council maintains a register of interests for Councillors which is regularly updated and available for public inspection.

Some Council members are also members of Worcestershire County Council, St Peter's and Warndon Parish Councils, West Mercia Police & Crime Panel and Hereford and Worcester Fire and Rescue Authority. The Council collects and distributes precepts on behalf of these bodies.

The Council also has member representatives on various outside bodies, such as St Richard's Hospice, Worcester Racecourse, and Citizens Advice Bureau.

Members also represent the Council on the Joint Museum Committee and Worcestershire Regulatory Shared Service Joint Committee. There are usually only one or two Member representatives on each outside body. Six Members of the Council are also Trustees of the Hopmarket Charity.

One of the Members is a director of the company from which the City Council has leased a building as part of the return of the Customer Services function to be an in-house operation. The member concerned took no part in the negotiation of the lease.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

36. Related party transactions (cont'd)

Entities Controlled or Significantly Influenced by the Council

In 2019/20 the following transactions were made in relation to shared services agreement and partnership contributions.

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, which is a jointly controlled operation.

Place Partnership Ltd is a single asset management company, originally co-owned by Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council. Worcester City Council ceased its membership with Place Partnership Ltd on 31st March 2019. Payments of £12k made since this date are for associated exit costs and property valuation services which we continue to procure.

Worcester City Council provides On Street Parking Services within the City on behalf of Worcestershire County Council, which results in a net payment to the County of parking fees and fines less the cost of providing the service.

The Joint Museum Shared Partnership was previously hosted by Worcestershire County Council. From 1 April 2018 the partnership has been hosted by Worcester City Council and Worcestershire County Council paid a contribution of £176k to the partnership in 2019/20.

The Worcestershire Internal Audit Shared Service is hosted by Worcester City Council.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

36. Related party transactions (cont'd)

Service	Wychavon District Council £'000	Place Partnership Ltd £'000	Worcestershire County Council £'000	Malvern Hills District Council £'000	Bromsgrove District Council £'000	Redditch Borough Council £'000	HWFRS £'000	Total Services £'000
Revs and Bens Shared Service	1,375							1,375
Property Services		12						12
Fleet Maintenance Contract & Fuel			476					476
Worcestershire Regulatory Shared Service					540			540
ICT Shared Service	533							533
Worcestershire HUB			413					413
Financial system administration and transaction processing				159				159
Payroll Service	26							26
On Street Parking Services			53					53
Building Control Shared Service				74				74
Procurement Service	33							33
Emergency Planning			15					15
Joint Museums Shared Service			(125)					(125)
Worcestershire Internal Audit Shared Service	(64)		(23)	(49)	(52)	(91)	(31)	(310)
Totals Partner Contributions	1,903	12	809	184	488	(91)	(31)	3,274

37. Contingent Assets and Liabilities

Contingent assets or liabilities are possible benefits or obligations arising from past events and which depend on uncertain future events not wholly within the control of the Council.

At 31 March 2020 the Council had the following contingent liabilities:

- On 30 September 1992, the Council's then insurer, Municipal Mutual Insurance (MMI), announced that it had ceased taking new business or issuing renewals and placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. MMI subsequently fell into insolvency and was placed into administration. A Scheme of Arrangement has now been triggered. This means a levy on all former customers of a proportion of claims paid on the Council's behalf. Based upon information provided by the administrators, potential liabilities may occur in future but the timing and the amounts can not be defined. The Council has to date paid two amounts - £81,702 in January 2014 and £54,468 in April 2016 totalling £136,170. This may not be the final sum and the Council may receive a refund or be required to pay a further amount. No provision has been made for either a refund or a payment during 2019/20.
- As a result of changes to the funding of local government, and specifically the introduction of the National Non Domestic Rates (NNDR) Retention Scheme from 1 April 2013, councils assumed part of the liability for refunding rate payers who successfully appeal against the rateable value of their properties on the rating list. The Collection Fund reports the 100% provision made (£2.578m in 2019/20) and these accounts would usually report a provision of 40% of that figure, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals and checks/challenges received up to 31 March 2020. However, in accordance with the pilot shares in operation during 2019/20, the Council does not reflect a share of the year end balances, but they are reflected in an increased creditor figure as the balances accrue to the other pilot partners at the year end date. For 2020/21 the Council resumes its usual 40% share of balances. The appeals provision has been based on experience from current and historic rateable value appeals lodged and the impact of associated settlements, using information provided by the Valuations Office Agency (VOA). Whilst the provision reflects the forecast impact of appeals received to date, there remains uncertainty regarding the volume and timing of future appeals.
- The Council has three Public Liability compensation claims outstanding, all three of these are in relation to tree subsidence affecting property foundations. Position on liability has yet to be established in all cases as the claims are under investigation. The Council's insurance policy has an excess level of £10,000 per claim; therefore the maximum liability to the Council would be £30,000.
- The Council has terminated its contract with a third party for provision of Customer Services at the Hive. The provider is claiming compensation towards its set-up costs at the start of the contract and has been asked to provide evidence of these costs having been incurred. No information has yet been received. This and a small number of other civil claims could potentially give rise to costs but the value is not currently known and may be zero. No provision for these has, therefore, been made in the 2019/20 accounts.

37. Contingent Assets and Liabilities continued

- The site of the former swimming pool at Sansome Walk that is owned by the City Council has been earmarked for housing development and a sale agreed, providing the site has been cleared. It has been included in the Council's assets at a nominal valuation on the basis that the proceeds will cover the cost of demolition. However the nature of the building is such that an accurate demolition cost will not be known until work has begun. Whilst the disposal proceeds will contribute towards the cost of demolition, this may not be sufficient to cover the full cost.
- In recognition of the significant cost of demolishing the former swimming pool (noted above), the Council has received a grant of £750,000 from the OPE land release fund. This grant is contingent on the site being made available for housing before or during 2020. It will be used as a contribution towards the demolition costs of the building.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

38. Assumptions made about the future and other major sources of estimation uncertainty

	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to rise, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in note 26
Impairment Allowances	The council has balances due relating to sundry debtors and housing benefit. In total these are £2.2m. An impairment allowance is made depending on the age of the individual debts and at 31 March 2020 the allowance is £0.9m	The recoverability of the debts could differ to the assumptions made for the provision resulting in a charge or gain to the council's income and expenditure.
Non-current assets - depreciation	Non-current assets held on the Balance Sheet have an estimated useful life. This is based on a professional judgement by the Valuer using assessments of future income streams. These are considered in the context of longer term income rather than short term fluctuations in values as are being experienced at present due to the effects of the Covid-19 pandemic.	Depreciation is applied on a straight line basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.
Provision for backdated appeals - business rates	Localised business rates requires billing authorities to account for the estimated effect of business rate valuation appeals including any back-dating. A provision for the costs of refunds has been made in the Collection Fund, based on the information available to date about the likely number and success of appeals.	If refunds are greater than the provision made in the Collection Fund then there will be a further loss to the Council; if refunds are less than the provision then the Council will receive more than provided for.

39. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2024. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.

The Council revalues its property assets regularly and assesses each year whether or not there is anything that could have a material impact of the value of an asset. Where there is a potential material impact the assets are revalued. All revaluations are undertaken by the a RICS qualified valuer with specialist advice as appropriate.

The Covid-19 pandemic (declared as a global pandemic on 1st March 2020 by the World Health Organisation) has affected global financial markets significantly. Valuers have been faced with an unprecedented set of circumstances on which to base valuation judgements. However, the Council has a varied asset base and not all asset valuations will have been affected by Covid-19.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuers have issued a standard clause that has declared a 'material valuation uncertainty' in the valuation report. However, the Council's officers consider that the uncertainty associated with valuing the Council's property assets is low.

Asset types which our valuers have determined have valuations which may be affected by Covid-19, and therefore have been reported on the basis of material uncertainty, are as follows:

1. Assets valued by DRC: where the valuation method is Depreciated Replacement Cost (DRC) using BCIS Tender Price Index. Build costs are influenced by various economic factors, such as availability of labour, materials, Covid compliance and competition. The current economic upheaval is going to affect BCIS inputs but it is too early to say what the full effect might be or how long this might last. Assets valued in this way include the following:

- Community Centres
- Leisure Centres
- Guildhall
- Public Conveniences
- Theatres
- Museums
- Crematoriums

These types of asset make up 39% of the Council's asset base.

2. Car Parks: where the valuation method is the net income/profit method. The practical effects of lockdown and slow return to High Streets will reduce the income received from car parks in 2020-21. As a result, the valuation of the car parks for that period will be less than the 2019-20 assessment. It is not possible at this stage to assess to what extent or what the longer-term trend may be. Car Parks represent 19% of the Council's total asset base.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

39. Critical Judgements in applying Accounting Policies continued

3. Investment Properties (Offices): these are currently let to part of a large public sector body. One of the two properties has a break clause in the lease and this has been allowed for in the valuation. For these reasons, the valuations are unlikely to be affected by the current economic uncertainty. These represent 7% of the Council's total asset base.

4. Investment Properties (Industrial Units): These properties are let to a number of small businesses across several different economic sectors. The risk of business failure for these tenants is therefore well spread and the potential impact to the Council reduced. These represent 4% of the Council's total asset base.

Asset types which our valuers have determined have valuations which have not been affected by Covid-19 are:

5. Heritage Assets: Valued based on sums insured and representing 8% of the Council's total asset base.

6. Asset Held for Sale and Surplus Assets: No affect expected given nature of the assets is all land. These represent 2% of the Council's total asset base.

The following categories of asset are accounted for at historic cost and are not therefore re-valued:

- Infrastructure Assets
- Vehicles, Plant and Equipment
- Assets Under Construction
- Intangible Assets
- Community Assets

The types of asset listed above cumulatively represent 16% of the Council's total asset base.

All valuations are dated 31st March 2020 but for practical purposes the valuation exercise is started in January each year. Any changes to valuations are reflected as necessary between January and March. The valuation exercise therefore took place at the very start of the pandemic when the effects were far less certain.

The Council has identified components within long-term assets as being an individual component such as a boiler, air conditioning unit or lift with a value in excess of 20% of the total value of the asset or £200,000 (which ever is higher). Any components meeting this criteria will be accounted for in accordance with the requirements for component accounting. There are currently no components separately identified.

The Council has considered in line with accounting standards and the Code of Practice on group accounts all significant relationships with companies and other entities. There are no material interests and no group accounts. Refer to Note 36 for arrangements the Council has with related parties.

From 1 April 2019 the Council terminated its involvement with Place Partnership Ltd and brought in-house the property services function. Place Partnership was considered to be a joint operation and a going concern. On that basis the Council was required to reflect its operational share of transactions in these accounts (4.7%). This 4.7% share was not materially different from the costs already reflected in the figures for 2018/19 and therefore no adjustment has been made.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

39. Critical Judgements in applying Accounting Policies continued

The Council has made a provision for business rates appeals, based on various factors including the outcomes of previous appeals and indicative information from the valuation office.

40. Events after the Balance Sheet date

From 1 April 2020, the Council has ended a contract with Civica and has established its own in-house Customer Services. The Council forecasts that this will generate a saving of £100,000 p.a. and provide a service that will be more adaptable to the Council's needs.

On 1 April 2020 the Council increased its borrowing by £6.0m. Long-term borrowing is now £13.3m and remains well within the approved borrowing limits of £80m.

In 2018/19 the Council approved the establishment of a £30m Development Fund for the acquisition of investment properties. In April 2020 the Council purchased the freehold of a second commercial property in Worcester. The property is currently used as office accommodation and is occupied by a tenant from the public sector.

The Council has disposed of two parcels of land since the balance sheet date. In April 2020, the Council received £0.6m from the sale of land at Hopton Street, Worcester for social housing. This land was held in the balance sheet at a value of £0.6m. This was followed in June 2020 with the receipt of £1.8m from the sale of the remainder of the former Park and Ride site at Perdiswell, Worcester. This land was held in the balance sheet at a value of £0.8m and the gain arising of £1.0m will be reported in 2020/21.

On 23 March 2020 the Government implemented lockdown measures designed to limit the spread of the Covid-19 pandemic. These have had a significant impact on the Council's operations and finances specifically:

- The Council's offices and leisure centres were closed for a period of time and where possible employees are working from home;
- Front-line services are being maintained with risk assessments and social distancing measures in place;
- The Government instructed that temporary accommodation should be found for all homeless individuals, which the Council has done;
- The Council is suffering a significant loss of income from reduced car parking in particular.

It is currently unclear how long it will take for the lockdown to be lifted and how quickly the economy locally and nationally will recover.

41. Accounting standards issued but not yet adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

41. Accounting standards issued but not yet adopted

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities. There are provisions for low-value and short-term leases. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

42. Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The restrictions arising from the Covid-19 pandemic have created significant issues for many businesses and residents and, as a result, from April 2020, the Council's income was affected detrimentally as its services were either closed or suffered a marked reduction in usage. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.2m in this regard.

Our recent reserves balances reported in these statements are as follows:

Date	General Fund	Reserves
31/03/2019	£1.2m	£10.2m
31/03/2020	£1.0m	£12.8m

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue relating to:

1. Car Parking – where we have assumed a reduction of 70% for the first 6 months of the year followed by a gradual return to the same level as previous years by the end of 2020/21. This represents a projected income reduction of £1.8m.
2. Bereavement Services - 18% fall for 2020/21 relating to the accelerated number of deaths in the early part of the year and increased local competition. This is not primarily Covid-19 related but part of an existing trend which has been reflected in the MTFP. It represents a projected income reduction of £0.3m for 2019/20.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31 March 2020

42. Going Concern continued

3. Planning fees – we have assumed a 25% loss by the end of the year, which represents a projected reduction in income of £187k.

Additional costs relating to Covid-19 are assumed to be £1.06m which comprises a number of minor cost increases relating to overtime or agency payments and additional equipment and two substantive items:

1. Homelessness – all homeless families and individuals have been found temporary accommodation during the pandemic at an additional forecast cost of £0.5m. Most of this has already been incurred;

2. Leisure Services – the Council’s leisure centres and swimming pool are run by an external operator who pays a management fee to the Council. With all the facilities closed during the lockdown, the Council has been providing financial support to the operator. The forecast cost of this for 2020/21 is £0.6m.

Based on the above, the Council is forecasting a £4.5m budget deficit in 2020-21, of which £3.6m will be funded by the COVID-19 grants received from the Ministry of Housing, Communities and Local Government. This is a net deficit of £0.9 million and would be funded from the Council’s Risk Reserves – which would then have a predicted balance of £3.0m at 31 March 2021.

A detailed cashflow forecast has also been prepared covering the period to 30th November 2021. This demonstrates the Council has sufficient liquidity throughout the period to meet requirements without any additional borrowing. The modelling undertaken has used best and worst-case scenarios as well as a reasonable estimate which show that collection rates for income, Council Tax and Business Rates would have to decrease significantly below the worst case scenarios to cause liquidity or going concern issues.

If the lockdown arrangements are to extend beyond the timescales that we have set out above then the assumptions will need to be revised. We have not assumed any additional central government grants and we have yet to make any assessment of further additional costs due to uncertainty. Worst case scenarios are not, in any event, likely to lead to losses such as to deplete the risk reserves in the medium term. The level of reserves would be sufficient for the continuation of the current predicted net deficit for four years.

We expect that the Fair Funding Review for 2021/22 will be delayed. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFP planning, which would show a deficit in 2021/22 on the provision of services of £0.8m and we are reviewing plans for how this can be addressed. If necessary, a deficit will draw on the Risk Reserves and related reserves, such as the Transformation Fund, or result in the delay of projects to free up other earmarked reserves, as necessary.

Our General Fund and Earmarked Reserves balance at 31 March 2022 is projected to be £13.0m, net of the projected deficit for 2021/22. This still remains well above our required minimum level of General Fund balance of £1.0m.

Collection Fund Statement and Explanatory Notes

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

	2019/20	2019/20	2019/20
Reporting Year 2019/20	Business	Council	
Note	Rates	Tax	Total
	£000's	£000's	£000's
Income			
1 Council Tax Payers	-	(56,278)	(56,278)
2 Income from Business Ratepayers	(40,877)	-	(40,877)
	<u>(40,877)</u>	<u>(56,278)</u>	<u>(97,155)</u>
Expenditure			
Precepts, demands and shares of surplus/deficits			
Central Government	9,870		9,870
Billing authority (Worcester City Council)	237	6,021	6,258
County Council	28,394	40,819	69,213
Parishes	-	148	148
Police Authority	-	7,009	7,009
Fire Authority	389	2,731	3,120
	<u>38,889</u>	<u>56,729</u>	<u>95,619</u>
Charges to Collection Fund			
Less:			
Losses in collection			
	-	-	-
4 Increase (decrease) in bad debt provision	302	77	379
6 Increase (decrease) in provision for appeals	(4,127)	-	(4,127)
Allowance for Cost of Collection	132	-	132
	<u>(3,693)</u>	<u>77</u>	<u>(3,615)</u>
Deficit or (surplus) for the year	(5,680)	528	(5,152)
Deficit (surplus) b/fwd at 1 April 2019	(490)	(1,035)	(1,525)
Deficit (surplus) c/fwd at 31 March 2020	<u>(6,170)</u>	<u>(507)</u>	<u>(6,677)</u>

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Business Rates are also known as Non-Domestic Rates (NDR) or National Non-Domestic Rates (NNDR). During 19/20 Worcester City Council participated in a business rates pilot and did not receive a direct share from the collection fund of business rates income arising in the year. The Council received compensatory income to its general fund. The £237k reported above for the Council relates to the distribution of its share of surplus arising in previous years.

The notes on the following pages explain some of the detail behind the figures above.

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

	2018/19 Business Rates £000's	2018/19 Council Tax £000's	2018/19 Total £000's
Previous Year 2018/19			
Note			
Income			
1 Council Tax Payers	-	(53,469)	(53,469)
2 Income from Business Ratepayers	(41,791)	-	(41,791)
	(41,791)	(53,469)	(95,260)
Expenditure			
Precepts, demands and shares			
Central Government	19,439		19,439
Billing authority (Worcester City Council)	15,551	5,758	21,309
County Council	3,499	38,662	42,161
Parishes	-	140	140
Police Authority	-	6,285	6,285
Fire Authority	389	2,612	3,001
	38,877	53,458	92,335
Charges to Collection Fund			
Less:			
Losses in collection	-	-	-
4 Increase (decrease) in bad debt provision	336	(65)	271
6 Increase in provision for appeals	1,650	-	1,650
Allowance for Cost of Collection	133	-	133
	2,119	(65)	2,054
Deficit or (surplus) for the year	(795)	(76)	(871)
Deficit (surplus) b/fwd at 1st April 2018	305	(959)	(654)
Deficit (surplus) c/fwd at 31 March 2019	(490)	(1,035)	(1,525)

1. Council Tax Base: basic principles

The Council Tax is a tax set by local councils according to the value of residential properties.

Each local authority that issues Council Tax bills by law has to set a Council Tax Base every year. The Tax Base is the number of chargeable dwellings in the local area, assessed into one of eight bands according to the estimated or actual property value as at 1st April 1991. As each band is charged a proportion of the Band D charge for Council Tax, the total Tax Base is reported as a single number allowing for the different proportions and for discounts such as 'single persons'.

The Local Government Act 2012 replaced the national Council Tax Benefit scheme with local Council Tax Support (CTS) schemes intended to help people on low incomes. This new Council Tax reduction scheme has increased the 'discounts' taken off the Tax Base and so reduced the total Tax Base from 2013/14 onwards by around 4,000 Band D equivalents.

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

1. Council Tax Base: basic principles (cont'd)

The basic amount of Council Tax for a Band D property (**£1,747.63** in 2019/20, £1,671.83 in 2018/19) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due. The taxbase for 2019/20 was calculated as follows:

Tax Band	Number of properties	Adjusted number of properties after discounts, new & deleted dwellings	Band D ratio	Band D equivalent taxbase 2019/20 £	Basic amount of Council Tax per Band £
A disabled	7	6.0	5/9	3.3	970.91
A	8,649	4,824.4	6/9	3,216.3	1,165.09
B	15,160	11,515.2	7/9	8,956.3	1,359.26
C	11,614	9,725.3	8/9	8,644.7	1,553.46
D	5,496	4,920.3	9/9	4,920.3	1,747.63
E	3,352	3,124.2	11/9	3,818.5	2,136.00
F	1,457	1,388.8	13/9	2,006.0	2,524.34
G	410	386.8	15/9	644.7	2,912.72
H	6	5.0	18/9	10.0	3,495.26
Total	46,150	35,896		32,220	
Less assumed bad debt rate: 1.0%					-322
Council Tax Base					31,898

2. Business Rates

NNDR is organised on a national basis with a Government specified rate of 49.1p for the 2019/20 financial year (48.0p 2018/19). Subject to the effects of reliefs and provisions, local businesses pay rates calculated by multiplying their rateable value by that amount.

Following the localisation of business rates, the Council is responsible for collecting rates due from the ratepayers in its area. The Council then pays amounts over to the major preceptors – Central Government, Worcestershire County Council and Hereford & Worcester Fire & Rescue Service, in accordance with a payment schedule determined at the start of each financial year. The Council is also a member of the Worcestershire Business Rates Pool, meaning that levy and safety net payments are calculated on a pooled rather than individual authority basis.

The income shown in the Collection Fund statement is the income reported to Central Government in the City Council's "NNDR3" return: the 'precepts, demands and shares' are those paid out and reported to Central Government in the City Council's "NNDR1" return.

The Business Rates income (after reliefs) of **£40.877m** (£41.791m for 2018/2019) was based on an average rateable value for the Council's area. The rateable value was **£105,868,087** at 31 March 2020 (£105,207,476 at 31 March 2019).

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

3. Collection Fund surpluses and deficits

Council Tax

The surplus on the Fund of £1.035 million at 31 March 2019 in respect of Council Tax transactions will be distributed in subsequent financial years to Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council in proportion to the value of the respective precepts and demands made by the Councils on the Collection Fund. The allocations are as follows:

	2019/20 £000's Share of Surplus	2018/19 £000's Share of Surplus	% Share
Worcestershire County Council	(365)	(748)	72%
West Mercia Police Authority	(63)	(123)	12%
Hereford and Worcester Fire and Rescue Authority	(24)	(50)	5%
Worcester City Council	(55)	(114)	11%
	<u>(507)</u>	<u>(1,035)</u>	<u>100%</u>

NNDR

Until 2013 all balances in relation to NNDR were attributable to Central Government. Following the localisation of business rates, balances are attributable to Central Government, preceptors and Worcester City Council in accordance with statutory proportions. The total surplus on the fund in respect of business rates at 31 March 2020 is £6.170 m (31 March 2018 £0.490 m surplus)

	2019/20 £000's Share of Surplus	2018/19 £000's Share of Surplus	18/19 Standard Pool shares
Worcestershire County Council (74%)	(4,632)	(44)	9%
Central Government (25%)	(1,517)	(245)	50%
Hereford & Worcester Fire & Rescue Authority (1%)	(62)	(5)	1%
Worcester City Council (0%)	41	(196)	40%
	<u>(6,170)</u>	<u>(490)</u>	<u>100%</u>

During 19/20 Worcestershire authorities participated in a business rates pilot whereby the districts did not share directly in the income arising but were rather compensated through their general fund. The share of surplus for 19/20 reflects the pilot percentages but includes a residual adjustment for over distribution of surplus arising in previous year.

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

4. Allowance for Impairment of Debts and Write Offs

The Provision for Bad Debts and Write Offs as at 31 March is as follows:

Council Tax

	2019/20 £000's	2018/19 £000's
Brought forward at 1 April	474	480
Write offs to provision in the year*	(9)	59
Contributions/(reductions) to provision during year	77	(65)
Net Increase/(Decrease) in provision	68	(6)
Carried forward at 31 March	<u>542</u>	<u>474</u>

* where this figure is positive it represents debts written back

NNDR

	2019/20 £000's	2018/19 £000's
Brought forward at 1 April	294	294
Write offs to provision in the year	(229)	(294)
Contributions to provision during year	302	294
Net Increase/Decrease in provision	73	0
Carried forward at 31 March	<u>368</u>	<u>294</u>

5. Write Offs

The total amounts of Council Tax and Business Rates written off during the year were as follows:

	2019/20 £000's	2018/19 £000's
Council Tax*	9	(59)
NNDR	<u>229</u>	<u>336</u>
	<u>238</u>	<u>277</u>

The Council's Financial Regulation 11.10 allows for the writing off of debts deemed irrecoverable. Although written out of the accounts, the debts are still due in law and recovery action will continue.

* Where this figure is negative it represents debts written back.

WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31 March 2020

6. NNDR - Provision for Appeals

The Collection Fund account also provides for provision for appeals and other changes to rateable values set by the Valuation Office Agency (VAO) not settled as at 31 March 2020.

	2019/20	2018/19
	£000's	£000's
Brought forward at 1 April	6,705	5,055
Changes in list Charged to Provision	(814)	(289)
Contributions to provision during year	(3,313)	1,938
Net (Decrease)/Increase in provision	(4,127)	1,650
Carried forward at 31 March	<u>2,578</u>	<u>6,705</u>

In accordance with the pilot percentages in operation for 2019/20, the City Council has not reflected a share of the 2019/20 amounts in its own provision allowance on the balance sheet. Please refer to accounting policies point 20 for further details of the pilot arrangements

WORCESTER CITY COUNCIL ACCOUNTING DEFINITIONS

The Code of Practice on Local Authority Accounting uses some technical terms that all readers may not be familiar with. Some of these are:

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Financing activities are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Material. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Notes contain information in addition to that presented in the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.

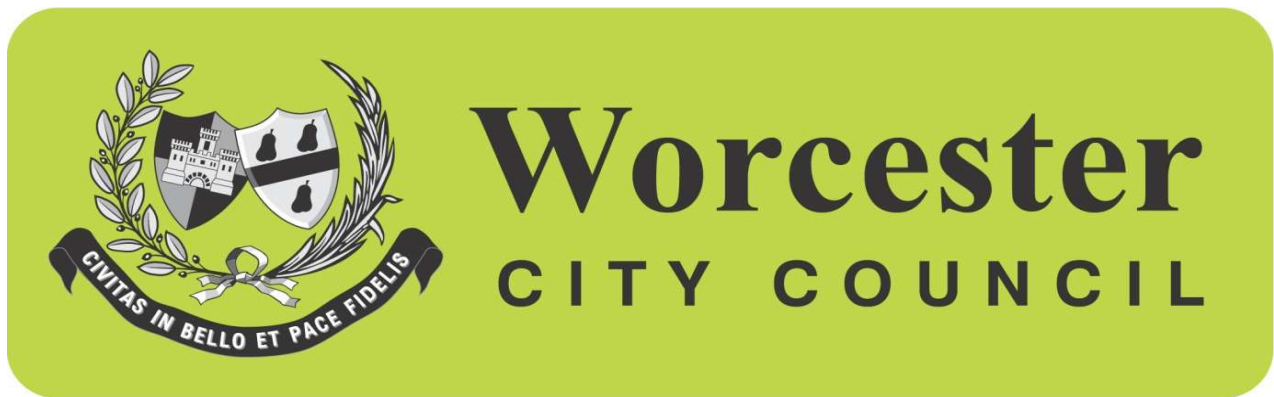
Other Comprehensive Income and Expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on remeasuring available-for-sale financial assets.

Operating activities are the activities of the authority that are not investing or financing activities.

Reclassification adjustments are amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.

Surplus or Deficit on the Provision of Services is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Total Comprehensive Income and Expenditure comprises all components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.



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Approval of Statement of Accounts 2019/20

I confirm that this Statement of Accounts including the Annual Governance Statement were approved by the Audit Committee at its meeting held on 23 November 2020.

Signed on behalf of Worcester City Council

A handwritten signature in black ink, which appears to read 'Alan Amos', is written over a horizontal dotted line.

**Councillor Alan Amos
Chairman of the Audit Committee**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTER CITY COUNCIL

Opinion

We have audited the financial statements of Worcester City Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority's Movement in Reserves Statement,
- Authority's Comprehensive Income and Expenditure Statement,
- Authority's Balance Sheet,
- Authority's Cash Flow Statement,
- Authority's Collection Fund and the related notes 1 to 6
- The related notes 1 to 42

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Worcester City Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Worcester City Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director, Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director, Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of

accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the 2019-20 Statement of Accounts set out on pages 1 to 29 and 107, other than the financial statements and our auditor's report thereon. The Corporate Director, Finance and Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Worcester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Corporate Director, Finance and Resources

As explained more fully in the Statement of the Corporate Director, Finance and Resources Responsibilities set out on page 3, the Corporate Director, Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director, Finance and Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Worcester City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that

necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Worcester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Worcester City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

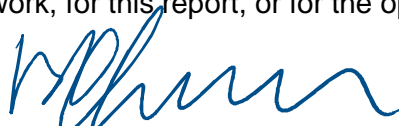

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Worcester City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Associate Partner (Local Auditor)
Ernst & Young LLP
Manchester
Date: 30th November 2020

The maintenance and integrity of the Worcester City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.